

ICOC Governance Subcommittee Meeting of August 31, 2005
Agenda Item 3.b.
2005-06 Proposed Budget

Background:

At the last Governance Subcommittee meeting, CIRM staff were requested to prepare a proposed budget for consideration at the next meeting.

Information:

The budget for CIRM operations (including the costs associated with the ICOC) are dependent on the amount of funding that is available. CIRM has developed three budget alternatives that we propose to use in succession based on funding available. Each alternative budget provides both a funding assumption and a description of the types of operational and grants expenditures that can be made, as follows:

Alternative 1: It is assumed that CIRM will only have access to the remainder of the \$3 million General Fund loan and the \$5 million grant from the Dolby Foundation. Under this alternative, no grant awards would be made during 2005-06.

Alternative 2: It is assumed that the General Fund loan and the Dolby grant are supplemented by \$21.5 million in proceeds from the sale of Bond Anticipation Notes (BANs) funding. The BANs would be sold to philanthropic organizations in anticipation of resolution of litigation that is delaying the issuance of Bonds allowed under Proposition 71. Under this alternative, \$15.6 million in training grant awards would be made.

Alternative 3: It is assumed that \$100 million in bond proceeds are available. Under this alternative, CIRM would be able to embark on a fully realized grant program.

The plan is to operate under **Alternative 1**, until 1/1/2006. If no additional funding is forthcoming, CIRM will take action to ensure that operations can continue through the entire fiscal year. If additional funding is available from BAN or Bond proceeds, CIRM would revise operations to **Alternative 2 or 3** as appropriate.

Recommendation:

Recommend that ICOC approve the budget plan described above.

2005 - 06 Budget: Alternative 1 Critical Assumptions

Funding = \$3 million loan + \$5 million Dolby Grant

Personal Services (Salaries/Benefits/OT)

- There will be 20 persons employed by CIRM – Current seventeen and three more to be hired by 10/1/2005:
 - Senior Executive Assistant to the Chair (9/1/2005)
 - Chief Information Services Officer
 - Facilities, Procurement and Operations

Operating Expense and Equipment

- The major interagency agreement and contract expenditures will be for DOJ (\$270,000), SCO (\$200,000), Remcho (\$480,000) and Edelman \$283,000).
- Meetings and conferences includes an estimate of \$215,000 for the costs of the 10/1-2 Scientific Conference.
- Workgroups: \$331,000 for all three (includes: per diem for both ICOC and non-ICOC members, travel expenses, facilities, meals, etc):
 - Grants: \$55,500/meeting for one meeting
 - Facilities: \$28,500/meeting for one meeting
 - Standards: \$28,600 (one will be \$31,800) for six meetings
- Travel: Expenses for ICOC members and CIRM staff projected from actual experience
- Furniture and Equipment: Includes \$120,000 down payment for all new furniture at the new headquarters location at 80-90% discount. The balance of \$120,000 is due in July 2006 (next fiscal year).
- Information Technology: Includes \$150,000 estimate for a new Grants Management System.
- Other OE&E: Estimated supplies, equipment maintenance, postage, phone services, printing, training, etc. Projections are based on actual usage and new staffing levels.

Results

- Reductions in administrative spending will need to be initiated in January to avoid running out of money by mid May 2006
- No Grants will be funded during 2005-06
- CIRM will develop grants management technology

California Institute for Regenerative Medicine
Proposed Budget for 2005-06
(Dollars in Thousands)
Funding = \$3,000,000 Loan plus \$5,000,000 Dolby Grant

	Year-end Financial Statements <u>2004-05</u>	Proposed Budget <u>2005-06</u>
State Operations:		
Loan	\$ 3,000	\$ -
Carry-over from Loan		1,350
Dolby Grant	921	4,079
Bond Proceeds	-	
	<u>\$ 3,921</u>	<u>\$ 5,429</u>
State Operations Allotment:		
	\$ 3,921	\$ 5,429
State Operations Expenditures:		
Salaries and Benefits	\$ 737	\$ 2,743
Total Personal Services	<u>\$ 737</u>	<u>\$ 2,743</u>
Total Interagency Agreements	\$ 375	\$ 583
Total External Contracts	\$ 826	\$ 1,066
Total Meetings Conferences	\$ 36	\$ 331
Working Groups		\$ 259
Travel	\$ 86	\$ 356
Furniture and Equipment	\$ 134	\$ 204
Information Technology	\$ 21	\$ 244
Other OE&E	\$ 356	\$ 211
Total Operating Expenses & Equipment	<u>\$ 1,834</u>	<u>\$ 3,254</u>
Total State Operations Expenditures ^{1/}	<u>\$ 2,571</u> ^{2/}	<u>\$ 5,997</u>
State Ops Balance	<u>\$ 1,350</u>	<u>\$ (568)</u>
Local Assistance:		
Bond Proceeds ^{3/}	-	
	<u>\$ -</u>	<u>\$ -</u>
Local Assistance Allotment:		
	\$ -	\$ -
Local Assistance Expenditures:		
Grants	\$ -	
	<u>\$ -</u>	<u>\$ -</u>
Total Local Assistance Expenditures	<u>\$ -</u>	<u>\$ -</u>
Local Assistance Balance	<u>\$ -</u>	<u>\$ -</u>
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Total CIRM Allotments	<u>\$ 3,921</u>	<u>\$ 5,429</u>
Total CIRM Expenditures	<u>\$ 2,571</u>	<u>\$ 5,997</u>
Total CIRM Balance	<u>\$ 1,350</u>	<u>\$ (568)</u>

^{1/} Includes expenditures authorized under California Health and Safety Code Section 125290.70(a)(1)(C) and (2).

^{2/} Final expenditures for 2004-05

^{3/} BAN proceeds of \$21.5 million less operating costs and \$3.9 million of interest and issuance costs.

**2005 - 06 Budget: Alternative 2
Critical Assumptions**

Funding = \$3 million loan + \$5 million Dolby Grant + \$21.5 million in BANs

Personal Services (Salaries/Benefits/OT)

- There will be 22 persons employed by CIRM. Two additional persons will be hired by October 1, 2005 to address grant management activities:
 - Grants Technical Assistant
 - Grants Management Officer

Operating Expense and Equipment

Major increases will be:

- External Contracts: \$250,000 is included to acquire services to assist CIRM in developing a strategic plan.
- Meetings Conferences: Six small science project meetings are included, estimated at \$15,000 per meeting.
- Working Groups: One additional Grants workgroup would be held.
- Increases in other categories to address expenditures for the new staff – travel, equipment, etc.

Results

- CRIM will be able to meet all administrative obligations.
- CRIM will award \$15.6 million in training grants.
- CRIM will begin work on development of a strategic plan.
- Work will begin on announcing a second round of grants and developing recommendations for award.

**California Institute for Regenerative Medicine
Proposed Budget for 2005-06
(Dollars in Thousands)**

**Funding = \$3,000,000 Loan, \$5,000,000 Dolby Grant, plus \$21,500,000 Bond
Anticipation Notes**

	Year-end Financial Statements <u>2004-05</u>	Proposed Budget <u>2005-06</u>
State Operations:		
Loan	\$ 3,000	\$ -
Carry-over from Loan		1,350
Dolby Grant	921	4,079
Bond Proceeds	-	1,247
State Operations Allotment:	<u>\$ 3,921</u>	<u>\$ 6,676</u>
State Operations Expenditures:		
Salaries and Benefits	\$ 737	\$ 2,930
Total Personal Services	<u>\$ 737</u>	<u>\$ 2,930</u>
Total Interagency Agreements	\$ 375	\$ 583
Total External Contracts	\$ 826	\$ 1,316
Total Meetings Conferences	\$ 36	\$ 421
Working Groups		\$ 314
Travel	\$ 86	\$ 364
Furniture and Equipment	\$ 134	\$ 208
Information Technology	\$ 21	\$ 244
Other OE&E	\$ 356	\$ 214
Total Operating Expenses & Equipment	<u>\$ 1,834</u>	<u>\$ 3,664</u>
Total State Operations Expenditures ^{1/}	<u>\$ 2,571</u> ¹²	<u>\$ 6,594</u>
State Ops Balance	<u>\$ 1,350</u>	<u>\$ 82</u>
Local Assistance:		
Bond Proceeds ^{3/}	-	16,353
Local Assistance Allotment:	<u>\$ -</u>	<u>\$ 16,353</u>
Local Assistance Expenditures:		
Grants	\$ -	\$ 15,600
Total Local Assistance Expenditures	<u>\$ -</u>	<u>\$ 15,600</u>
Local Assistance Balance	<u>\$ -</u>	<u>\$ 753</u>
Total CIRM Allotments	<u>\$ 3,921</u>	<u>\$ 23,029</u>
Total CIRM Expenditures	<u>\$ 2,571</u>	<u>\$ 22,194</u>
Total CIRM Balance	<u>\$ 1,350</u>	<u>\$ 835</u>

^{1/} Includes expenditures authorized under California Health and Safety Code Section 125290.70(a)(1)(C) and (2).

^{2/} Final expenditures for 2004-05

^{3/} BAN proceeds of \$21.5 million less operating costs and \$3.9 million of interest and issuance costs.

**2005 – 06 Budget: Alternative 3
Critical Assumptions**

- **Funding = \$3 million loan + \$5 million Dolby Grant + \$100 million in Bond Proceeds**

Personal Services

- There will be 35 persons employed by CIRM. Thirteen additional persons will be hired by 1/1/2006, mostly to address grants activities:
 - Senior Program Officer (3)
 - Senior Review Officer (2)
 - Administrative Assistant to Work Groups
 - Grants Management Assistant
 - Grants Management Specialist
 - Grants Management Assistant
 - Chief Counsel
 - Chief Communications Officer
 - Human Resources Officer
 - Receptionist/Administrative Assistant

Operating Expenses and Equipment

- Meetings Conferences: An additional large scientific conference is budgeted at \$125,000.
- Working Groups:
 - Grants: Two addition meetings would be held (total of four)
 - Facilities: Two addition meetings would be held (total of three)
- Increases in other categories to address expenditures for the new staff – travel, equipment, etc.

Result

- CIRM will be able to meet all administrative obligations.
- CIRM will award up to \$74.7 million in grants.
- CIRM will begin work on development of a strategic plan.

**California Institute for Regenerative Medicine
Proposed Budget for 2005-06
(Dollars in Thousands)**

Funding = \$3,000,000 Loan, \$5,000,000 Dolby Grant, plus \$100 million Bond Proceeds

	Year-end Financial Statements <u>2004-05</u>	Proposed Budget <u>2005-06</u>
State Operations:		
Loan	\$ 3,000	\$ (3,000) ^{3/}
Carry-over from Loan		1,350
Dolby Grant	921	4,079
Bond Proceeds ^{1/}	-	5,800
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State Operations Allotment:	\$ 3,921	\$ 8,229
State Operations Expenditures:		
Salaries and Benefits	\$ 737	\$ 3,689
Total Personal Services	\$ 737	\$ 3,689
Total Interagency Agreements	\$ 375	\$ 583
Total External Contracts	\$ 826	\$ 1,316
Total Meetings Conferences	\$ 36	\$ 481
Working Groups		\$ 572
Travel	\$ 86	\$ 397
Furniture and Equipment	\$ 134	\$ 257
Information Technology	\$ 21	\$ 244
Other OE&E	\$ 356	\$ 250
Total Operating Expenses & Equipment	\$ 1,834	\$ 4,100
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Total State Operations Expenditures ^{2/}	\$ 2,571 ^{4/}	\$ 7,789
State Ops Balance	\$ 1,350	\$ 440
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Local Assistance:		
Bond Proceeds ^{1/}	-	74,700 ^{6/}
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Local Assistance Allotment:	\$ -	\$ 74,700
Local Assistance Expenditures:		
Grants	\$ -	\$ 74,700 ^{5/}
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Total Local Assistance Expenditures	\$ -	\$ 74,700
Local Assistance Balance	\$ -	\$ -
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Total CIRM Allotments	\$ 3,921	\$ 82,929
Total CIRM Expenditures	\$ 2,571	\$ 82,489
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Total CIRM Balance	\$ 1,350	\$ 440

^{1/} Bond proceeds will replace any bridge funding from bond anticipation notes

^{2/} Includes expenditures authorized under California Health and Safety Code Section 125290.70(a)(1)(C) and (2).

^{3/} \$3,000,000 Loan is replaced by funding from bonds or bond anticipation notes.

^{4/} Final expenditures for 2004-05

^{5/} Actual expenditures may change based on grant funding decisions.

^{6/} Bond proceeds of \$100 million less operating costs and \$19.5 million of interest and issuance costs.

