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**M E M O R A N D U M**

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**TO:** GOVERNING BOARD

**FROM:** JOHN ROBSON, VICE PRESIDENT OF OPERATIONS

**SUBJECT:** PROPOSED REDUCTION ON FACILITIES PART B REIMBURSEMENT

**DATE:** AUGUST 18, 2010

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Proposition 71 provides that research grants should include an amount to cover the cost of the space in which the research will be conducted – lease costs or depreciation for institution-owned space. This “Building Use” reimbursement amount (sometimes called “facilities part b”) is based on each institution’s federally negotiated rate, and ranges from 8% to 36%.

Proposition 71 also provides that Building Use will NOT be paid when CIRM has provided a facilities grant to house the research. This ensures that CIRM does not “pay twice” for the same space, and maximizes the funds available for direct research costs, while making sure that CIRM grants continue to reimburse institutions’ legitimate costs.

In October 2007, the Board adopted a policy that applies this provision to the Major Facilities grants as they are completed. That policy was incorporated in California law when the board adopted the Grants Administration Policy in 2009. According to that policy, an institution that has received a CIRM Major Facilities Grant Award is not eligible to receive reimbursement from CIRM for Building Use (facilities part (b)) for research conducted in space provided under the CIRM-funded Facilities Grant, nor for research uses described by the institution in its application for the Major Facilities Award. The amount of Building Use reimbursement withheld will be tracked. When the amount withheld from an institution reaches the amount of the Major Facility grant, Building Use reimbursement will resume.



As many of the Major Facility projects are nearing completion, we have developed some practical guidelines for implementing the Board's policy. Our goal has been to do that in a way that minimizes the administrative burden on grantees and staff. We are providing the attached implementation plan to keep the Board informed about developments. It is based on existing regulations, and no board action is required.

The attached plan deals with situations in which a research grant goes to the institution that owns the Major Facility. With one exception, the major facilities are owned by institutions that receive research funding from CIRM.

We are still working on an implementation plan for the Major Facility grant to the Sanford Consortium in La Jolla. With the facility owned by the consortium, and the research grants going to separate member institutions, there are additional factors to address. The Sanford Consortium Facility is projected to be at least a year away from occupancy, and we have begun discussions with the affected institutions.