

# **Presentation for the CIRM updated FY 06/07 Budget Proposal**

**Governance Subcommittee Meeting  
Agenda Item 6**

**December 4<sup>th</sup>, 2006**

**Lori Hoffman**

**Chief Finance and Administrative Officer  
California Institute of Regenerative Medicine**

# 1. CIRM is authorized to sell bonds in the total amount of three billion dollars.

<i>Item</i>	<i>%</i>	<i>Amount</i>	<i>Proposition 71 Section</i>
Total Prop 71 Bond Funding	100%	\$3,000,000,000	125291.30

**125291.30** *Bonds in the total amount of three billion dollars (\$3,000,000,000) not including the amount of any refunding bonds issued in accordance with Section 125291.75, or as much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this article and to be used and sold for carrying out the purposes of section 125291.20 and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and shall constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both the principal of, and interest on, the bonds as the principal and interest become due and payable.*

**2. Not more than 3 percent of the proceeds of the bonds authorized shall be used for the costs of general administration of the Institute.**

<i>Item</i>	<i>%</i>	<i>Amount</i>	<i>Proposition 71 Section</i>
Total Prop 71 Bond Funding	100%	\$3,000,000,000	125291.30
General Admin. Costs	3%	\$90,000,000	125290.70(a)(2)

**125290.70(a)(2)** *Not more than 3 percent of the proceeds of the bonds authorized pursuant to Section 125291.30 shall be used for the costs of general administration of the institute.*

**3. Not more than 3 percent of the proceeds of the bonds authorized shall be used for the costs of grants administration.**

<i>Item</i>	<i>%</i>	<i>Amount</i>	<i>Proposition 71 Section</i>
Total Prop 71 Bond Funding	100%	\$3,000,000,000	125291.30
General Admin. Costs	3%	\$90,000,000	125290.70
Grants Admin. Costs	3%	\$90,000,000	125290.70(a)(1)(C)

**125290.70(a)(1)(C)** *Not more than 3 percent of the proceeds of bonds authorized by Section 125291.30 may be used by the institute for research and research facilities implementation costs, including the development, administration, and oversight of the grant making process and the operations of the working groups.*

## 4. Bond issuance costs will be paid from bond proceeds.

<i>Item</i>	<i>%</i>	<i>Amount</i>	<i>Proposition 71 Section</i>
Total Prop 71 Bond Funding	100%	\$3,000,000,000	125291.30
General Admin. Costs	3%	\$90,000,000	125290.70
Grants Admin. Costs	3%	\$90,000,000	125290.70(a)(1)(C)
Issuance Costs	.08%	\$24,000,000	12591.20(a)(5)

**125291.20(a)** Notwithstanding Section 13340 of the Government Code or any other provision of law; moneys in the fund are appropriated without regard to fiscal years to the institute for the purpose of...(4) paying the costs of issuing interim debt, paying the annual administration costs of the interim debt until and including December 31 of the fifth full calendar year after this article takes effect, and paying interest on interim debt, if such interim debt is incurred or issued on or prior to December 31 of the fifth full calendar year after this article takes effect, and (5) paying the costs of issuing bonds, paying the annual administration costs of the bonds until and including December 31 of the fifth full calendar year after this article takes effect, and paying interest on bonds that accrues on or prior to December 31 of the fifth full calendar year after this article takes effect (except that such limitation does not apply to premium and accrued interest as provided in Section 125291.70). In addition, moneys in the fund or other proceeds of the sale of bonds authorized by this article may be used to pay principal of or redemption premium on any interim debt issued prior to the issuance of bonds authorized by this article. Moneys deposited in the fund from the proceeds of interim debt may be used to pay general administrative costs of the institute without regard to the 3 percent limit set forth in (2) above, so long as such 3 percent limit is satisfied for each issue of bonds.

## 5. For the first five years after Proposition 71 takes effect, CIRM will fund interest reserves with proceeds from the sale of bonds.

<i>Item</i>	<i>%</i>	<i>Amount</i>	<i>Proposition 71 Section</i>
Total Prop 71 Bond Funding	100%	\$3,000,000,000	125291.30
General Admin. Costs	3%	\$90,000,000	125290.70
Grants Admin. Costs	3%	\$90,000,000	125290.70(a)(1)(C)
Issuance Costs	.08%	\$24,000,000	12591.20(a)(5)
Cap. Interest Costs**	n/a	\$52,000,000	125291.45(c)

**125291.45(c)** *An interest-only floating rate bond structure will be implemented for interim debt and bonds until at least December 31 of the fifth full calendar year after this article takes effect, with all interest to be paid from proceeds from the sale of interim debt or bonds, to minimize debt service payable from the General Fund during the initial period of basic research and therapy development, if the committee determines, with the advice of the Treasurer, that this structure will result in the lowest achievable borrowing costs for the state during that five-year period considering the objective of avoiding any bond debt service payments, by the General Fund, during that period. Upon such initial determination, the committee may delegate, by resolution, to the Treasurer such authority in connection with issuance of bonds as it may determine, including, but not limited to, the authority to implement and continue this bond financing structure (including during any time following the initial five-year period) and to determine that an alternate financing plan would result in significant lower borrowing costs for the state consistent with the objectives related to the General Fund and to implement such alternate financing plan.*

**\*\*Any net savings or investment earnings will result in increased program funds.**

## Subtotal: Funds Available to fund CIRM Research and Facilities Grants

<i>Item</i>	<i>%</i>	<i>Amount</i>	<i>Proposition 71 Section</i>
Total Prop 71 Bond Funding	100%	\$3,000,000,000	125291.30
General Admin. Costs	3%	\$90,000,000	125290.70
Grants Admin. Costs	3%	\$90,000,000	125290.70(a)(1)(C)
Issuance Costs	.08%	\$24,000,000	12591.20(a)(5)
Cap. Interest Costs	n/a	\$52,000,000	125291.45(c)
<b><i>Subtotal – R &amp; F Funds*</i></b>		<b><i>\$2,744,000,000</i></b>	

**\*Research Funding, per Prop 71, is net estimated litigation costs of \$3 M over the life of CIRM.**

6. Up to 10% of the amount available for grants may be used for research facilities grants.

<b>Subtotal – R &amp; F Funds*</b>		<b>\$2,744,000,000</b>	
<b>Facilities Funds</b>	10%	\$274,400,000	125290.70(a)(4)

**125290.70(a)(4)** *Recognizing the priority of immediately building facilities that ensure the independence of the scientific and medical research of the institute, up to 10 percent of the proceeds of the bonds authorized pursuant to Section 125291.30, net of costs described in paragraphs (2), (4), and (5) of subdivision (a) of Section 125291.20 shall be allocated for grants to build scientific and medical research facilities of nonprofit entities which are intended to be constructed in the first five years.*



7. At least 90% of the amount available for grants (total amount of authorized bonds net of general administration, grants administration, and issuance and interest costs) must be used for research grants.

<b>Subtotal – R &amp; F Funds*</b>		<b>\$2,744,000,000</b>	
<b>Facilities Funds</b>	10%	\$274,400,000	125290.70(a)(4)
<b>Research Funds</b>	90%	\$2,466,600,000	125290.70(a)(1)(B)

**125290.70(a)(1)(B)** *Not less than 90 percent of the amount used for grants shall be used for research grants, with no more than the following amounts as stipulated below to be committed during the first 10 years of grant making by the institute, with each year's commitment to be advanced over a period of one to seven years, except that any such funds that are not committed may be carried over to one or more following years. The maximum amount of research funding to be allocated annually as follows: Year 1, 5.6 percent; Year 2, 9.4 percent; Year 3, 9.4 percent; Year 4, 11.3 percent; Year 5, 11.3 percent; Year 6, 11.3 percent; Year 7, 11.3 percent; Year 8, 11.3 percent; Year 9, 11.3 percent; Year 10, 7.5 percent.*