

**CONSIDERATION OF AMENDMENTS
TO THE 2006-07 CIRM ADMINISTRATIVE OPERATING BUDGET**

Background

At the June 2, 2006 meeting of the ICOC, CIRM presented a two part budget proposal for the first six months of FY 2006-07. No action was taken because of the lack of a quorum.

At the August 5, 2006 meeting, the ICOC approved a Proposed Operating Budget for 2006-07 (Attachment 1). This approved budget assumed continued deferral of payments to 1) Remcho, Johansen and Purcell, 2) the Department of Justice, and 3) the State Controller's Office.

The August budget identified a list of objectives that could be achieved in fiscal year 2006-07. Many goals on this list have been achieved, with a few still underway. In addition, with the availability of increased funds, several new objectives have been added.

Projected Major Accomplishments

- ✓ Complete Scientific Strategic Plan and anticipate ICOC approval on 12/7/06.
- ✓ Increase staffing to 25.
 - ✓ Completed three new hires in the Science Office: 1) Kumar Hari, 2) Maybel Cortez, and 3) Ruth Globus
 - ✓ Chief Finance Officer and Administrative Officer is hired
 - ✓ Chief of Communications is hired
 - ✓ Contingent offer has been made for the Senior Officer for Facilities
- ✓ Facilities Working Group to meet four times to develop policies for facilities grant program.
 - ✓ FWG held two meetings this year and proposed that the Shared Research Laboratory RFA will be awarded prior to the end of this FY 06/07.
- ✓ Held CIRM-sponsored IOM public workshop on egg donation, "Assessing the Medical Risks of Human Oocyte Donation for Stem Cell Research" (9/28/06).
- ✓ Co-Hosted the CIRM-United Kingdom Joint Workshop on Stem Cell Self-Renewal and Differentiation (11/13/06-11/14/06)
- ✓ Complete and publish major regulation policies, including: 1) Intellectual Property, 2) Medical and Ethical Standards, and 3) Grants Administration Policy.
- ✓ Hold twenty-seven ICOC and CIRM public meetings during the 2006-07 fiscal year.
 - ✓ Held 20 meeting to date in this fiscal year.

STILL TO ACCOMPLISH in FY 06/07:

- Review, approve and award SEED and Comprehensive Grants (underway)
- Hire additional staff in the Science Office (Science Officer, Grants Technical Assistant, Grants Management Officer).
- Issue Shared Research Lab RFA, review, approve and award grants.
- Fund second year of Training Grant Awards.

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- Host an Annual Meeting for CIRM Scholars.
- Defend against appeals of the Superior Court decision on CIRM constitutionality.
- Develop a fully operational grants management technology system.
- Develop a communications plan, consistent with the Scientific Strategic Plan.

Addition to 2006-07

- Hire a Chief Legal Officer
- Possibly co-sponsor an immediate access, on-line publication for stem cell research.

Deferred to 2007-08

- Hold a scientific meeting (subject to be determined) on the same scale as the 10/05 meeting.

Description

Since the announcement of the \$150 M loan from the state General Fund and the August 2006 ICOC meeting, CIRM has further refined its expectations of funds available for general and grants administration. In addition to state monies and the BANS, CIRM continues to be a recipient of many generous donations as reflected in the table below. The table does not include additional gift commitments (approximately \$330,000) that have been made to CIRM but for which funds have not yet been received. All currently known sources of funds available for administrative purposes from CIRM inception to the present are shown in the table below:

Sources of Funds		
General Fund Loan-Startup		\$ 3,000,000
1st BANS-General Administration	3% of \$14M	\$ 420,000
1st BANS-Grant Administration	3% of \$14M	\$ 420,000
2nd BANS-General Administration	3% of \$31M	\$ 930,000
2nd BANS-Grants Administration	3% of \$31M	\$ 930,000
General Fund Loan-General Administration	3% of \$150M	\$ 4,500,000
Minus General Fund Loan-Startup		\$ (3,000,000)
General Fund Loan-Grant Administration	3% of \$150M	\$ 4,500,000
Subtotal		\$ 11,700,000
GIFTS:		
Dolby Grant and Interest		\$ 5,073,716
Goldman		\$ 350,000
Robbins		\$ 50,000
Taylor		\$ 49,000
Subtotal		\$ 5,522,716
TOTAL		\$ 17,222,716

Since inception, the total of funds available and expended for general and grants administration is as follows:

Use of Administrative Funds Since Inception	
Funds Available	\$ 17,222,716
Less: Expenditure (11/2/04-6/31/05)	\$ (2,569,000)
Less: Expenditures (7/1/05-6/30/06)	\$ (4,517,074)
Less: Expenditures (7/1/06-10/31/07)	\$ (1,454,958)
Less: Budgeted (11/1/06-6/30/07)	\$ (5,733,158)
Balance available for 2007-08	<u>\$ 2,948,526</u>
Additional Administrative Funds (based on \$250M)	<u>\$ 3,300,000</u>
Total Funds Available based on \$250M Authorization	\$ 6,248,526

Recommendation

The President and the Governance Subcommittee recommend to the ICOC the following amendments to the 2006-2007 Administrative Operating Budget. The major difference between the proposed budget and the approved August 2006 budget are as follows:

1. increase of approximately \$362,760 for staff;
2. increase of interagency agreements \$80,000;
3. increase of external contracts of approximately \$350,000;
4. increase of approximately \$200,000 for the ICOC meetings;
5. increase for the FWG meetings of \$35,000;
6. increase of \$30,000 for CIRM staff travel costs;
7. reduction in furnishing expenditures (cost incurred in 2005-06) of \$50,000;
8. increase of \$50,000 for other office related expenses.

The proposed budget reflects an overall increase from the August 2006 budget of \$1,113,628 which includes the addition of an estimate of \$200,000 for the on-line publication that CIRM will seek the appropriate approvals at a future meeting.

Legal costs have been subtracted from the total as provided for in Proposition 71 Article 3 125292.10 (u) "Legal costs of the institute incurred in order to negotiate standards with federal and state governments and research institution; to implement standards or regulation; to resolve disputes; and/or to carry out all other actions necessary to defend and/or advance the institute's mission shall be considered direct research funding costs." Therefore, CIRM proposes an increase of approximately \$25,000 for administrative expenditures from the August 2006 approved budget.

This item requests approval of the amendments to the 2006-07 Administrative Operating Budget as illustrated in Table 1.

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Table1

Proposed 2006-07 Operating Budget							
	Science Office	Office of Administration	Office of President	Office of the Chair	Proposed Budget	Actuals from 7/1 to 10/31	Budget for 11/1 to 6/30
Number of Staff based on accepted offers as of 12/06	9	5	7	4	25		
Salaries and Benefits	\$938,062	\$789,542	\$1,368,094	\$726,022	\$3,821,720	\$1,003,465	\$2,818,255
Interagency Agreements		\$240,759	\$608,800		\$849,559	\$1,038	\$848,521
External Contract	\$809,011	\$79,332	\$919,500	\$65,000	\$1,872,843	\$158,906	\$1,713,937
ICOC Meetings				\$404,631	\$404,631	\$46,287	\$358,344
Science Meetings	\$353,352		\$33,860		\$387,212	\$27,436	\$359,776
WG-Grants	\$216,080				\$216,080	\$7,012	\$209,068
WG-Standards			\$94,068		\$94,068	\$14,242	\$79,826
WG-Facilities		\$91,828			\$91,828		\$91,828
Other Travel	\$31,500	\$11,000	\$21,700	\$45,000	\$109,200	\$22,405	\$86,795
Furniture and Equipment		\$135,000			\$135,000	\$128,293	\$6,707
Information Technology			\$53,425		\$53,425	\$2,934	\$50,491
Other Office Expense&Equipment		\$297,600	\$1,250	\$7,500	\$306,350	\$42,940	\$263,410
Subtotal			3,100,697		\$8,341,916		
Legal Costs -- direct Research funding cost 125292.10 (u)			(\$1,088,800)		(\$1,088,800)		
Total	\$2,348,005	\$1,645,061	\$2,011,897	\$1,248,153	\$7,253,116	\$1,454,958	\$5,798,158

ADDENDUM

Proposed Operating Budget 2006-2007

Background

At the June 2, 2006 meeting of the ICOC, a two part budget proposal involving the first six months of 2006-07 was presented. However, no action could be taken because of the lack of a quorum.

Scenario 1 proposed to keep operations at a static level with no new science or grant program initiatives other than those already begun (Egg Donor Conference, Strategic Plan, etc). Scenario 2 proposed to increase staffing so that work could begin on several new science initiatives and grant programs (Innovation Grants, Facilities program, etc). Scenario 2 would have been made possible by the sale of \$36 million in BANS, in addition to the \$14 million already sold.

We proposed that CIRM be allowed to operate under Scenario 1 until the \$36 million in BANS were sold and then move to Scenario 2. We projected that CIRM could operate a Scenario 2 level budget through February or March of 2007, if we deferred substantial payments to Remcho, Johansen and Purcell, the Department of Justice and the State Controller's Office.

Information

Attachment I provides a full year 2006-2007 operations funding for CIRM in total and by cost center. It also provides a list of accomplishments that we believe we can achieve under this budget, including payment of all deferred expenditures. It is based on the six-month Scenario 2 proposal.

Attachment II provides a comparison between the available funding for all years of operation (including additional funding from the sale of BANS) and the actual expenditures for 2004-2005 and 2005-2006 and the proposed budget for 2006-2007.

This shows that we will be able to fully fund operations for the proposed 2006-2007 budget. The critical difference is the decision by the Governor to provide CIRM with a loan of \$150,000,000 from the General Fund. We are proposing to use \$1,400,000 of this to fully fund the full year of operations as outlined in this proposed budget (Note: Additional gifts – including the GALA – will reduce this amount).

Recommendation

The new General Fund loan presents us with an opportunity to expand the science and grant programs even more.

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We are recommending that you approve the budget as proposed and that we prepare an expanded budget for your consideration at the next ICOC meeting.

**Proposed CIRM Budget
7/1/2006 – 6/30/2007**

Cost Category	Science Office	OOA	OOP	OOC	Total
Personal Svs	\$ 709,756	\$ 548,222	\$1,282,313	\$ 918,663	\$3,458,954
Interagency					
Agreements		253,000	536,900		789,900
Ext. Contracts	704,111	31,280	733,100	45,000	1,513,491
ICOC Meet.				191,375	191,375
Sci. Meet.	352,000				352,000
WG-Grants	144,000				144,000
WG-STDS			94,068		94,068
WG-Facil.			55,600		55,600
Other Travel	32,500	3,000	14,000	37,000	86,500
Furn/Equip		184,000			184,000
Info. Tech.			108,600		108,600
Other OEE		250,000			250,000
Total	\$1,942,367	\$1,269,502	\$2,824,581	\$1,192,038	\$7,228,288

Projected Major Accomplishments

- Scientific Strategic Plan is completed and approved.
- Request for Proposal for Innovative Grants developed, issued and grants approved.
- First year of Training Grants ends and second year grants issued.
- Host an Annual Meeting for CIRM Scholars.
- Facilities Workgroup meets four times to develop policies for facilities grant program.
- Grants management technology system is fully operational.
- Egg Donor Conference is held.
- Hold a scientific meeting (subject to be determined) on the scale of the 10/05 meeting
- Co-Host the CIRM-United Kingdom Joint Workshop on Stem Cell Self-renewal and Differentiation.
- Complete work on and publish major regulation policies, including: Intellectual Property, Medical and Ethical Standards and Grants Administration Policy.
- Defend against appeals of the Superior Court decision on CIRM constitutionality.
- Chief, Communications is hired and a communications plan – consistent with the Scientific Strategic Plan – is developed.
- Hold twenty-seven meetings of the ICOC or its sub committees.
- Staffing increases to 25, including two positions for the Science Office, one position for facilities program and two for the Communications Office.

Attachment II

Funding Status Report

Source of Funds

General Fund Loan - Startup	\$ 3,000,000
Dolby Grant and Interest	5,073,716
BAN – General Administration	1,350,000
BAN – Grants Management	1,301,873
BAN – Grant Award Funds (Legal)	1,964,844
Gifts – Goldman	350,000
Robbins	50,000
New General Fund Loan	<u>1,400,000</u>
Total	\$14,490,433

Use of Funds

Funds Available	\$14,490,433
Less: Expenditures (11/2/04-6/30/05)	<u>2,569,000</u>
Balance	\$11,921,433
Less: Expenditures (7/1/05-6/30/06)	<u>4,517,074</u>
Balance	\$ 7,404,359
Less: Proposed (7/1/06-6/30/07)	<u>7,228,488</u>
Balance	\$ 175,871