

**ICOC Meeting of September 9, 2005
Agenda Item 13
2005-06 Budget**

Background:

At the July 29, 2005 meeting, the members of the Governance Subcommittee reviewed and approved a proposed budget plan for the operations of the California Institute for Regenerative Medicine (CIRM) for the current fiscal year.

Information:

The proposed budget for CIRM operations (including costs for the ICOC) are dependent on the amount of funding that is available. To ensure that funding is used for critical needs, the President identified the following three priorities:

- Fund Raising
- Expanding the Grant Program
- Supporting the move to the new Headquarters site

CIRM has developed three budget alternatives to achieve these goals. We propose to use them 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 funded this year.

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 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 (or BAN) 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: The 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 (9/6/2005)
 - Facilities, Procurement and Operations

Operating Expense and Equipment

- Interagency Agreement and External Contracts: Major expenditures are projected to be for DOJ (\$270,000), SCO (\$200,000), Remcho (\$480,000) and Edelman \$283,000).
- ICOC Meetings: Costs for rooms, travel, spotlight, etc. based on 11 ICOC meetings this year.
- Scientific Meetings/Conferences includes an estimate of all costs for the 10/1-2 Scientific Conference.
- Working Groups: \$259,000 for all three (includes: per diem for both ICOC and non-ICOC members, travel expenses, facilities, meals, etc):
 - Grants: \$55,500/meeting for four meetings
 - Facilities: \$28,500/meeting for 3 meetings
 - Standards: \$28,600 (one will be \$31,800) for six meetings
- Travel: Expenses for CIRM staff projected from actual experience.
- Furniture and Equipment: Includes \$120,000 down payment for all new furniture at the new headquarters at 80-90% discount. The balance of \$120,000 is due in July 2006 (next 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

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

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CIRM Budget

	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	-	
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State Operations Allotment:	\$ 3,921	\$ 5,429
State Operations Expenditures:		
Salaries and Benefits	\$ 737	\$ 2,741
Total Personal Services	\$ 737	\$ 2,741
Interagency Agreements	\$ 375	\$ 583
External Contracts	\$ 826	\$ 1,012
ICOC meetings	\$ 79	\$ 204
Scientific Meetings\Conferences	\$ -	\$ 215
Working Groups	\$ -	\$ 259
Travel	\$ 43	\$ 164
Furniture and Equipment	\$ 134	\$ 204
Information Technology	\$ 21	\$ 244
Strategic Planning	\$ -	\$ -
Other OE&E	\$ 356	\$ 211
Total Operating Expenses & Equipment	\$ 1,834	\$ 3,096
Total State Operations Expenditures ^{1/}	\$ 2,571 ¹²	\$ 5,837
State Ops Balance	\$ 1,350	\$ (408)
Local Assistance:		
Bond Proceeds	-	
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Local Assistance Allotment:	\$ -	\$ -
Local Assistance Expenditures:		
Grants	\$ -	
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Total Local Assistance Expenditures	\$ -	\$ -
Local Assistance Balance	\$ -	\$ -
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Total CIRM Allotments	\$ 3,921	\$ 5,429
Total CIRM Expenditures	\$ 2,571	\$ 5,837
Total CIRM Balance	\$ 1,350	\$ (408)

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

^{2/} Final expenditures for 2004-05

**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:

- Scientific Meetings/Conferences: Funding for six small science project meetings at \$15,000 per meeting is included.
- Working Groups: One additional Grants workgroup would be held.
- Strategic Plan: \$250,000 is included to develop a strategic plan for CIRM. Costs would include consultants, meetings, etc.
- Increases in other categories to address expenditures for the new staff - travel, equipment, etc.

Results

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

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CIRM Budget

	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
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State Operations Allotment:	\$ 3,921	\$ 6,676
State Operations Expenditures:		
Salaries and Benefits	\$ 737	\$ 2,945
Total Personal Services	\$ 737	\$ 2,945
Interagency Agreements	\$ 375	\$ 583
External Contracts	\$ 826	\$ 1,012
ICOC meetings	\$ 79	\$ 204
Scientific Meetings\Conferences	\$ -	\$ 305
Working Groups	\$ -	\$ 314
Trave	\$ 43	\$ 172
Furniture and Equipment	\$ 134	\$ 208
Information Technology	\$ 21	\$ 244
Strategic Planning		\$ 250
Other OE&E	\$ 356	\$ 214
Total Operating Expenses & Equipment	<u>\$ 1,834</u>	<u>\$ 3,506</u>
Total State Operations Expenditures ^{1/}	\$ 2,571 ¹²	\$ 6,451
State Ops Balance	\$ 1,350	\$ 225
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Local Assistance:		
Bond Proceeds ^{3/}	-	16,353
Local Assistance Allotment:	\$ -	\$ 16,353
Local Assistance Expenditures:		
Grants	\$ -	\$ 15,600
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Total Local Assistance Expenditures	\$ -	\$ 15,600
Local Assistance Balance	\$ -	\$ 753
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Total CIRM Allotments	\$ 3,921	\$ 23,029
Total CIRM Expenditures	<u>\$ 2,571</u>	<u>\$ 22,051</u>
Total CIRM Balance	\$ 1,350	\$ 978

^{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: Assumption 3
Critical Assumptions**

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

Personal Services

- The following thirteen positions would be filled (most to begin 1/1/2006), bringing the total CIRM staff to 35:
 - Senior Program Officer (3)
 - Senior Review Officer (2)
 - Administrative Assistant to Work Groups
 - Grants Management Assistant
 - Grants Management Specialist
 - Grants Technical Assistant
 - Chief Counsel
 - Chief Communications Officer
 - Human Resources Officer
 - Receptionist/Administrative Assistant

Operating Expenses and Equipment

- Scientific Meetings/Conferences: \$125,000 is added to fund a spring scientific conference.
- Working Groups:
 - Grants: Two additional meetings would be held (total of four)
 - Facilities: Two additional meetings would be held (total of three)
- Increases in other categories linked to the increase in staffing (e.g. – travel, supplies, equipment, etc.).

Results

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

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	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	\$ 3,784
Total Personal Services	\$ 737	\$ 3,784
Interagency Agreements	\$ 375	\$ 583
External Contracts	\$ 826	\$ 1,012
ICOC meetings	\$ 79	\$ 419
Scientific Meetings\Conferences	\$ -	\$ 430
Working Groups	\$ -	\$ 482
Travel	\$ 43	\$ 205
Furniture and Equipment	\$ 134	\$ 257
Information Technology	\$ 21	\$ 244
Strategic Planning		\$ 250
Other OE&E	\$ 356	\$ 250
Total Operating Expenses & Equipment	\$ 1,834	\$ 4,132
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Total State Operations Expenditures^{2/}	\$ 2,571^{4/}	\$ 7,916
State Ops Balance	\$ 1,350	\$ 313
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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	\$ 82,616
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Total CIRM Balance	\$ 1,350	\$ 313

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.

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