

**NOTICE OF PROPOSED REGULATION AMENDMENTS**  
**California Code of Regulations**  
**Title 17. – Public Health**  
**Division 4 - California Institute for Regenerative Medicine**  
**Chapter 5, Section 100504**

**Date: July 22, 2016**

**Deadline for Submission of Written Comment: September 5<sup>6</sup>, 2016 – 5:00 p.m.**

**Public Hearing Date: None Scheduled**

**Subject Matter of Proposed Amendments:**  
**Grant Administration Policy for Clinical Stage Projects**

**Submittal of Comments:**

Any interested party may present comments in writing about the proposed amendments to the agency contact person named in this notice. Written comments must be received no later than 5:00 p.m. on September 6, 2016. Comments regarding this proposed action may also be transmitted via e-mail to [GAPComments@cirm.ca.gov](mailto:GAPComments@cirm.ca.gov) or by facsimile transmission to 510-340-9159.

**Public Hearing:**

At this time, no public hearing has been scheduled concerning the proposed regulations. If any interested person or the person's representative requests a public hearing, he or she must do so in writing no later than August 26, 2016.

**Sections Affected:** The proposed regulatory action adds Section 100504 to Chapter 5 of Title 17 of the California Code of Regulations, and the document incorporated by reference into section 100504.

**Authority:** Article XXXV of the California Constitution and Health and Safety Code Section 125290.40, subdivision (j).

**Reference:** Sections 125290.30, 125290.35, 125290.40, 125290.45, 125290.50, 125290.60, 125290.70, 125292.10, Health and Safety Code.

**Informative Digest/Policy Statement Overview:**

The California Institute for Regenerative Medicine ("Institute" or "CIRM") was established in 2005 after the passage in 2004 of Proposition 71 (the "Act"), the California Stem Cell Research and Cures Initiative. The statewide ballot measure established a new state agency to make grants and provide loans for stem cell research, research facilities and other vital research opportunities. The Independent Citizens' Oversight Committee ("ICOC") is the 29-member governing board for the Institute. The ICOC members are public officials, appointed on the basis of their experience earned in California's leading public universities, non-profit academic and research institutions, patient advocacy groups and the biotechnology industry. The Act charges the ICOC with developing standards and criteria to make grant awards and to

develop standards and criteria for proper oversight of awards. (§ 125290.50.) To that end, CIRM adopted the CIRM Grants Administration Policy for Discovery, Translation and Education Projects (“GAP”).

Proposed section 100504 incorporates by reference the GAP and indicates that recipients of grants for discovery stage projects will be subject to this particular GAP. This section indicates that amendments to the policy will be applied to current active grants at the next budget period after the effective date of any amendments.

This grants administration policy incorporated by reference by section 100504 serves as the terms and conditions for Discovery, Translation and Education (“DTE”) projects funded by the California Institute for Regenerative Medicine (CIRM) pursuant to calls for applications for discovery stage projects. In addition, it provides guidance to applicants and Awardees regarding their responsibilities. Principal investigators, program directors, and organizational officials with grants management responsibilities are urged to read this document carefully and to refer to relevant sections for answers to questions that arise concerning the administration of CIRM awards. Applicants and Awardees may be required to document compliance with any and all provisions set forth in this policy.

This policy applies to all CIRM applicants and Awardees who apply for and receive CIRM funding through DTE calls. By accepting CIRM funding, Awardees agree to comply with the provisions set forth in this policy.

This policy may be amended or revised periodically. Any new or amended regulations adopted by the Independent Citizens’ Oversight Committee (ICOC), the governing board of CIRM, will be applied to currently active awards on the start date of the next Operational Milestone, except as provided in the relevant CIRM Intellectual Property Regulations. CIRM will notify principal investigators, program directors and organizational officials with active CIRM awards of amendments to, or revisions of, this policy as they are released. Amendments or revisions will be posted on the CIRM website (<http://www.cirm.ca.gov>).

CIRM’s right to enforce this policy shall survive the end of the term of the Project Period, and should CIRM no longer exist, that right may be exercised by the State of California.

As with prior CIRM grants administration policies, this GAP will describe the grant application and review process, which details the application submission, budget review and application review processes, criteria for the review of applications, appeals of scientific review, the process for approval for funding and delineate certain policies regarding access to public records and use of personal information.

The GAP also addresses the elements of the pre-award process, which governs the pre-funding administrative review, conditions of liability, public policy requirements (such as rules governing use of human stem cell lines, for example), documents and certifications required during the “just-in-time” period prior to award execution, and the elements of the award notice.

PIs and institutions will also find terms governing award acceptance and rules governing election to treat an award as a loan.

Finally, consistent with CIRM policies addressing prior grants, the GAP details the rules governing the payment and use of CIRM funds, identifying and describing allowable costs and activities that may be funded with CIRM funds, allowable and unallowable facilities costs, prior approval requirements, accounting and documentation requirements (which are subject to access and audit requirements by CIRM or its agents), consequences for misuse of CIRM funds, the reporting requirements necessary to monitor progress, and finally rules regarding termination and consequences for failure of compliance.

**Anticipated Benefits of the Proposed Regulation:**

To the extent the regulation facilitates use of the funds and encourages development of intellectual property and return to the state as required by law, and to the extent California institutions apply for and receive research funds, such requirements are indirectly attributable to increased economic activity spurred by the investment research funds in the state and resultant positive business and employment development. Also, to the extent the regulation makes it possible for the expenditure of research funds in the state, and to the extent that research results in medical treatments and cures for chronic disease and injury, the regulation indirectly benefits the health and welfare of California residents who will benefit from such treatments and cures.

**Consistency and Compatibility with Existing State Regulations:**

CIRM has conducted an evaluation for any other regulations on this area and has concluded that this is the only regulation concerning administration of CIRM-funded awards for discovery-stage research projects. Therefore, the proposed regulation is neither inconsistent nor incompatible with any other existing state regulations.

**Incorporated by Reference Documents:** The following sections as contained in the 2016 version of the California Institute for Regenerative Medicine Grants Administration Policy (GAP) for Discovery, Translation and Education Projects, Sections “II” through and including “VI” in their entirety; As to Section “I”, only part “I.B.”, “(Abbreviations), “I.C.” (“Defined Terms”), “I.D” (“Types of Support”) and “I.E.” (“Roles and Responsibilities”).

**DISCLOSURES REGARDING THE PROPOSED AMENDMENTS:**

CIRM has made the following initial determinations:

**Mandate on local agencies and school districts:** CIRM has determined that the proposed amendments do not impose a mandate on local agencies or school districts, nor do they require reimbursement by the state pursuant to Part 7 (commencing with Section 17500) of Division 4 of the Government Code because the amendments do not constitute a “new program or higher level of service of an existing program” within the meaning of Section 6 of Article XIII of the California Constitution.

**Effect on Small Business:**

CIRM has determined that the proposed amendment will have no impact on small businesses. The regulation implements conditions on awarding and administering grants for stem cell research. This research is conducted almost exclusively by large public and private nonprofit

institutions. As such, the amendments to the regulation are not expected to adversely impact small business as defined in Government Code Section 11342.610.

**Impact on Local Agencies or School Districts:**

CIRM has determined that there are no costs to any local agency or school district that are required to be reimbursed pursuant to Government Code section 17500 et seq.

**Other Nondiscretionary Cost or Savings to Local Agencies:**

CIRM has determined that there are no other nondiscretionary cost or savings imposed upon local agencies that will result from the proposed amendments.

**Costs or Savings to State Agencies:**

CIRM has determined that no savings or increased costs to any agency will result from the proposed amendments.

**Effect on Federal Funding to the State:**

CIRM has determined that no costs or savings in federal funding to the state will result from the proposed amendments.

**Effect on Housing Costs:**

CIRM has determined that the proposed amendments will have no effect on housing costs.

**Significant Statewide Adverse Economic Impact Directly Affecting Businesses:**

CIRM has made an initial determination that the proposed amendments will not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California Businesses to compete with businesses in other states.

**Cost Impacts on Representative Private Persons or Businesses:**

CIRM is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed amendments.

**Results of Economic Impact Analysis:**

The Economic Impact Analysis is based on that fact that the proposed amendments do not impose new requirements on existing business operations or functions of other agencies or individuals, but implement standards for seeking and using state grant funds for scientific research. In most cases, such grants include funds to cover overhead and other indirect costs of the research, including most compliance activities. CIRM has made an initial determination that it is unlikely the proposed amendments will impact the creation or elimination of jobs, the creation of new businesses or the elimination of existing businesses, or the expansion of businesses currently doing business within the State of California, nor directly impact the health and welfare of California residents, worker safety, and the state's environment. However, applicants and awardees of CIRM funds for clinical stage projects would have a clear understanding of their responsibilities in accepting and using state funds for stem cell research, which ultimately benefit the citizenry of California. In addition, To the extent the regulation facilitates use of the funds and encourages invention and return to the state as required by law, and to the extent California institutions apply for and receive research funds, such requirements are indirectly attributable to increased economic activity spurred by the investment research

funds in the state and resultant positive business and employment development. Also, to the extent the regulation makes it possible for the expenditure of research funds in the state, and to the extent that research results in medical treatments and cures for chronic disease and injury, the regulation indirectly benefits the health and welfare of California residents who will benefit from such treatments and cures.

**Consideration of Alternatives:**

In accordance with Government Code Section 11346.5, subdivision (a)(13), CIRM must determine that no reasonable alternative it considered, or that has otherwise been identified and brought to its attention, would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of the law than the proposal described in this Notice. CIRM invites interested persons to submit statements or arguments with respect to alternatives to the proposed amendments during the written comment period.

**Availability of Statement of Reasons and Text of Proposed Regulations:**

CIRM has prepared an Initial Statement of Reasons, and has available the express terms of the proposed amendments, all of the information upon which the amendments are based, and a rulemaking file. A copy of the Initial Statement of Reasons and the proposed text of the regulation may be obtained from the agency contact person named in this notice. The information upon which CIRM relied in preparing this proposal and the rulemaking file are available for review at the address specified below.

**Availability of Changed or Modified Text:**

After considering all timely and relevant comments, CIRM may adopt the proposed amendments substantially as described in this notice. If CIRM makes modifications that are sufficiently related to the originally proposed text of the amendments, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before it adopts the regulations as amended. Requests for the modified text should be addressed to the agency contact person named in this notice. CIRM will accept written comments on any changes for 15 days after the modified text is made available.

**Agency Contact:**

Written comments about the proposed regulatory action; requests for a copy of the Initial Statements of Reasons, the proposed text of the amendments; and inquiries regarding the rulemaking file may be directed to:

C. Scott Tocher  
Deputy General Counsel  
California Institute for Regenerative Medicine  
1999 Harrison Street, Suite 1650  
Oakland, CA 94612  
(510) 340-9159

Questions on the substance of the proposed regulatory action may be directed to:

Gabe Thompson, Grants Management Officer  
California Institute for Regenerative Medicine  
(510) 340-9166

The Notice of Proposed Regulatory Amendment, the Initial Statement of Reasons and any attachments, and the proposed text of the amendments and existing regulation are also available on CIRM's website, [www.cirm.ca.gov](http://www.cirm.ca.gov).

**Availability of Final Statement of Reasons:**

Following its preparation, a copy of the Final Statement of Reasons mandated by Government Code Section 11346.9, subdivision (a), may be obtained from the contact person named above.

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