

Memorandum

To: Members of the Independent Citizens' Oversight Committee
From: Douglas Kearney, Director of Grants Management
Jennifer Lewis, Vice President of Operations
Re: Approval of Allowable Facilities Rates
Date: January 29, 2026

Executive Summary

The following proposal implements a portion of the recently board-enacted **Award Management Policy**, the AMP. This is the policy that will govern how our Awardees manage our funds. Among these provisions, the policy describes how an Awardee may calculate overhead costs that may be covered by an Award. Per that policy, the board determines the Facilities rates that will be allocated to our Awardees. This memo describes the proposed rate structure for Facilities expenses.

CIRM's overhead support structure is composed of two types: Facilities and Administrative costs. Facilities costs cover direct costs of operating an Awardee's facility. Administrative costs include general administration and expenses. The following recommendation only proposes changes to the Facilities cost structure for For-Profit Awardees and Non-Profit Awardees *without* a federally negotiated rate.

Background

Since 2006, CIRM has established Allowable Facilities Rate criteria that allows Non-Profit Applicants to request Facilities costs based on an institution's current, federally negotiated rates in two categories:

Facilities Rate A: Plant Operation and Maintenance Expenses (utilities, janitorial services, routine maintenance, repairs, etc.), as well as Library Expenses (books, library staff, etc.) when applicable.

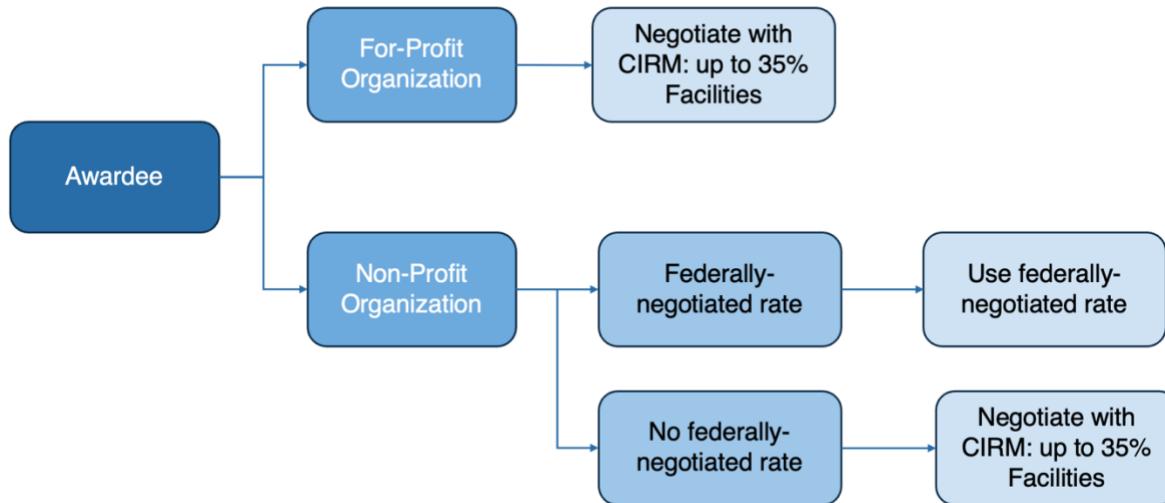
Facilities Rate B: Depreciation or use allowance (for buildings and equipment, excluding buildings and equipment paid for by CIRM). Applicants may alternatively use the out-of-pocket lease costs if leasing space for the project.

This structure has worked well for CIRM given the rigor of the federal rate-setting process. Utilizing this structure also maintains consistency for Awardees across federal- and CIRM-funded projects.

CIRM Facilities costs for all For-Profit Awardees, and Non-Profit Awardees without a federally negotiated or provisionally approved rate are currently limited to 35% of direct project costs and must be consistent with Facilities rates applied to similar research awards at the organization. This process creates additional administrative burden by requiring the Awardee to provide background documentation that must be reviewed by CIRM. Under CIRM's existing policy, Awardees without federally negotiated rates may also be eligible to receive more overhead funds at the 35% limit than an Awardee that has gone through the rigorous federal rate-setting process. (For more information on CIRM's Facilities and Indirect Costs, please see Appendix A, *CIRM Overhead Primer for Awardees*).

It should be noted that the majority of For-Profit Organizations do not request Facilities costs from CIRM in favor of maximizing direct project costs in total-cost capped Awards. Additionally, only 4% of Non-Profit institutions in our portfolio do not have a federally negotiated rate.

Current Policy Flowchart

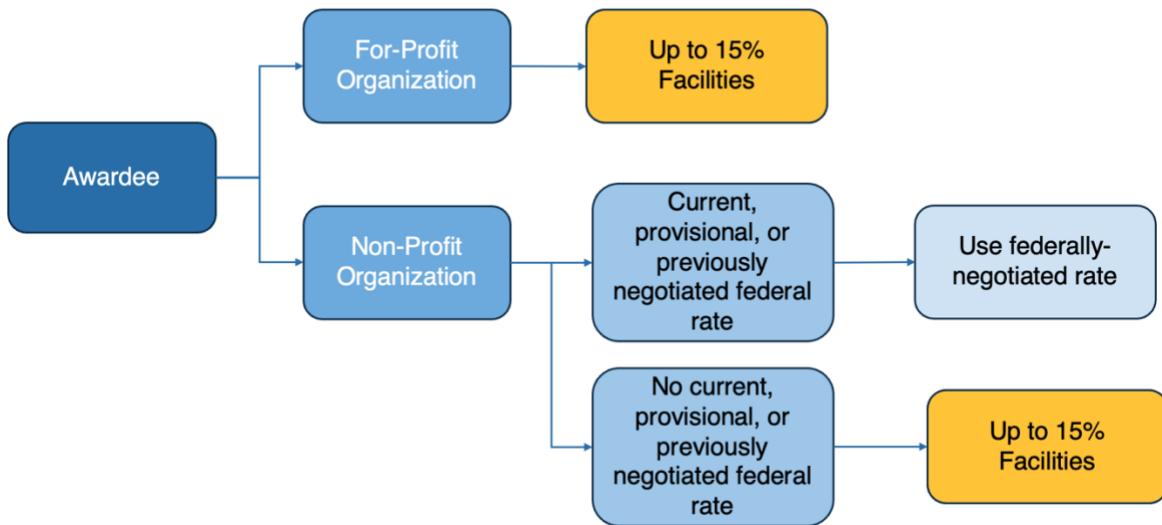


Recommendation

The CIRM team recommends that the ICOC continue to utilize the model established in 2006, except for a change to the Facilities rate limit for For-Profit Awardees and Non-Profit Awardees *without* previously or provisionally approved federally negotiated rates. This model simplifies the rate structure in alignment with federal practice, eliminates increased overhead funding to an organization without federally negotiated rates, and maintains the flexibility to adopt a new model to support California institutions. The recommendation is as follows:

- Awardees may request their most recent previously or provisionally approved federally negotiated rates for both Facilities Rates A and B as Allowable Facilities costs. If provisionally approved Facilities rates are used in an application that is funded, CIRM shall be notified immediately once the provisional rates have been finalized in order to reduce the Award budget to reflect the federally approved rates. If the final Facilities rates are higher than the provisionally approved rates, CIRM will not increase the award above the amount originally approved by the ICOC.
- Facilities costs for any For-Profit Awardee, or Non-Profit Awardee without previously approved federally negotiated rates or provisionally approved rates, are limited to the rate limit established by the federal government (currently 15% of direct project costs) and must be consistent with Facilities rates applied to similar research awards at the organization.

New Policy Flowchart



Request for Action

The CIRM team requests the ICOC approve the Allowable Facilities Rate structure.