

September 15, 2004

**Proposition 71:
Stem Cell Research. Funding. Bonds.
Initiative Constitutional Amendment and Statute**

LEGISLATIVE ANALYST'S OFFICE

Presented To:
Assembly Committees on Health and Elections,
Redistricting and Constitutional Amendments,
and
Senate Health and Human Services





Major Provisions of Proposition 71

- General Obligation Bond Funding.** Authorizes the state to sell \$3 billion in general obligation bonds, and limits the bond sales to no more than \$350 million per year to provide funding for stem cell research and research facilities in California. For the first five years, the repayment of the principal would be postponed and the interest on the debt would be repaid using bond proceeds rather than the General Fund. Subsequent interest and principal payments would come from the General Fund.
- New Medical Research Institute.** Establishes the California Institute of Regenerative Medicine to award grants and loans for stem cell research and research facilities, and to manage stem cell research activities funded by this measure. The institute would be responsible for establishing regulatory standards for the research funded by the grants and loans.
- Independent Oversight Committee.** Establishes a 29-member, politically appointed, Independent Citizen's Oversight Committee (ICOC) to govern the institute. The committee would be comprised of representatives from specified University of California (UC) campuses, companies with expertise in developing medical therapies, disease research advocacy groups, and other specified entities.
- ICOC Working Groups.** The ICOC would appoint members to three working groups focused on the following areas: (1) the awarding of grants or loans for research projects; (2) establishing scientific, medical, and ethical standards for conducting stem cell research; and (3) the awarding of grants or loans for the development of research facilities. The ICOC would consider the working groups' recommendations in making its decisions on applications for grant and loan awards and in establishing regulatory standards for research.



Activities Funded by Proposition 71 Revenues

- Bond Administrative Costs.*** Any funding needed for various bond-related costs would be deducted before bond proceeds were spent for other purposes.

- Institute's Administrative Costs.*** The institute would be able to use up to 3 percent of the remaining bond funds for general administrative costs and up to an additional 3 percent for administrative costs associated with grant-making activities.

- Stem Cell Research.*** The remaining funding would be available for the institute to award as grants and loans for research and research facilities. Of this funding, up to 10 percent would be available for grants and loans to develop scientific and medical research facilities for nonprofit entities within the first five years of the implementation of the measure. Priority for research grant funding would be given to stem cell research that met the institute's criteria and was unlikely to receive federal funding.



LAO Estimate of Fiscal Effects of Proposition 71

- Borrowing Costs.*** If the \$3 billion in bonds authorized by this measure were repaid pursuant to current financing terms, the cost to the General Fund would be approximately \$6 billion (\$3 billion principal and \$3 billion interest).
- Institute Operating Costs.*** The measure limits the amount of bond funding available for the institute's administrative activities but does not specify what would happen if the costs were greater than the amount of bond funding available. The amount of additional General Fund support that would be required, if any, is unknown.
- Loan Repayment Revenues.*** If the institute awards loans in addition to grants for research and facilities, it would eventually receive revenues from the repayment of those loans.
- State Revenues From Research.*** The state would be authorized to receive payments from patents, royalties, and licenses resulting from the research funded by the institute.
- Effects on University of California System.*** To the extent that the University of California system receives a share of the grants awarded by the institute, it could receive additional federal or private research funding for this purpose.
- Other Potential Fiscal Effects.*** If the measure were to result in economic and other benefits that would not otherwise have occurred, it could produce unknown indirect state and local revenue gains and cost savings. The likelihood and magnitude of these indirect fiscal effects are unknown.