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Commission Calls on State to Strengthen Stem Cell Board

The Little Hoover Commission on Thursday urged the governor and the Legislature to reform the governance structure of the California Institute for Regenerative Medicine to improve transparency and accountability and speed its success in finding cures through stem cell research.

In its report, *Stem Cell Research: Strengthening Governance to Further the Voters' Mandate*, the Commission recommends streamlining the governance structure of the California Institute for Regenerative Medicine (CIRM) and reducing the size of its governing board, the Independent Citizens Oversight Committee (ICOC). Recommendations include clarifying the roles and responsibilities of the board chair and the agency president and introducing fresh voices to the board by adding independent business and scientific members. The Commission also recommends reducing the length of terms for board members, removing caps on the size of CIRM's staff and outside scientific peer reviewers and developing plans for the agency's future.

During its study, the Commission found that CIRM has delivered on its mission to grow the state's biotechnology industry, producing new jobs, expanded scientific facilities and cutting-edge research. The agency has been resourceful in leveraging its public resources to attract additional outside investment. Despite these successes, the Commission found that the agency remains vulnerable to perceptions of self-interest that detract from CIRM's \$3 billion mission of finding cures through stem cell research.

The Commission found that the statutory language created by Proposition 71 in 2004 is overly prescriptive, resulting in a governance structure for CIRM that locks in inefficiencies. While many of the original governance provisions may have been appropriate to protect a developing organization when stem cell science was under siege, the specificity of the requirements in Proposition 71 now inhibits CIRM's ability to adjust to changing scientific and political landscapes. The Commission found that improvements to CIRM's governance structure are needed to allow CIRM to move forward with the transparency and accountability Californians deserve.

"To fulfill its ambitious mission, CIRM needs every advantage to move forward with efficiency and integrity," Commissioner Loren Kaye, who chaired the study's subcommittee, said. "The ICOC has functioned as well as it has because of the talent and extraordinary commitment of its members. But the stakes are too high to take structural weaknesses for granted."

In *Stem Cell Research: Strengthening Governance to Further the Voters' Mandate*, the Commission recommends that the state:

Restructure the CIRM governing board around principles of efficiency and transparency. The board size should be reduced to 15 from 29, maintaining the diversity of membership but adding independent voices to the board. Board terms should be shortened to four years for all members and the appointment process should be streamlined. To eliminate overlapping authority and enhance accountability, the roles of chair and president should be restructured and clarified. To minimize disruption that can occur through turnover and changes in the governance structure, new board members should be phased in as terms expire. The ICOC name also should be changed to the Board of Directors to more accurately reflect its composition.

Improve the process for distributing grant and loan funds. To enhance efficiency and transparency, the 50-employee cap on staffing should be removed, as should the 15-person limit on peer reviewers. CIRM should modify its triage plan to review grants internally. CIRM also should explore options for greater disclosure of the peer review process and amend all meeting minutes to specify individual board members' votes and recusals, and continue the practice moving forward.

Enhance oversight of CIRM. The Citizens Financial Accountability Oversight Committee (CFAOC) and the CIRM governing board should use their authority to enhance oversight. The CFAOC, chaired by the State Controller, should exercise its existing authority, or be statutorily authorized if necessary, to conduct performance audits and hold regular meetings to review CIRM's programmatic and strategic performance, in addition to overseeing CIRM's annual financial audits. The CIRM governing board should hold its members accountable by adopting removal provisions in its bylaws.

Require the CIRM governing board to begin planning for CIRM's future. To prepare for change in leadership, the CIRM governing board should create succession plans for board leadership through an open process. The agency should include in its strategic plan clear direction for spending funds, with measurable benchmarks and a transition plan for when bond funding expires.

The Little Hoover Commission is a bipartisan and independent state agency charged with recommending ways to increase the efficiency and effectiveness of state programs. The Commission's recommendations are sent to the governor and the Legislature. To obtain a copy of the report, *Stem Cell Research: Strengthening Governance to Further the Voters' Mandate*, contact the Commission or visit its Web site: www.lhc.ca.gov.