



State of California

LITTLE HOOVER COMMISSION

April 8, 2010

Stuart Drown
Executive Director

The Honorable Elaine Alquist
Chair, Senate Health Committee
State Capitol, Room 5080
Sacramento, CA 95814

RE: SUPPORT FOR SENATE BILL 1064
Hearing Date: April 14, 2010

Dear Senator Alquist:

The Little Hoover Commission urges the Senate Health Committee to approve SB 1064, which is scheduled to be heard on April 14, 2010. This bill would improve the transparency and accountability of the state's stem cell agency, the California Institute for Regenerative Medicine (CIRM).

The Commission supports this measure based on findings and recommendations in its June 2009 report, *Stem Cell Research: Strengthening Governance to Further the Voters' Mandate*. The report, requested by Senators Sheila Kuehl and George Runner, urged reforms to CIRM's governance structure. During 2008 and 2009, the Commission held a public hearing at the state Capitol with CIRM leaders, experts in corporate and nonprofit governance and citizens groups, attended CIRM board meetings and subcommittee meetings and conducted dozens of interviews with CIRM board members, staff and other stakeholders.

CIRM is an agency in transition made more complicated by an outdated governance structure set up by Proposition 71 that locks in inefficiencies. The agency has quickly moved from a start-up phase to an operational phase, and now is halfway through the 10-year effort laid out in the voter initiative. It remains unclear what will happen to California's \$6 billion investment once bond funds expire. Will the agency cease to exist or is it positioning itself toward permanency?

Founding members of CIRM's oversight board, the Independent Citizens Oversight Committee, serve long terms, which limit turnover and fresh perspectives. The board lacks truly independent voices who can objectively evaluate when the state's contribution to stem cell science has peaked. Additionally, board members conflate their oversight role, by design, when conducting day-to-day administrative duties. The Commission recommended increasing transparency and accountability by establishing clear reporting lines and separation of duties critical to CIRM's most vital task: steering billions of dollars in research funds toward the best science that can lead to cures.

CIRM is a frequently studied agency and has been responsive to many suggestions for improvement from outside entities. The agency's structural deficiencies, however, continue to invite criticism and distract CIRM's leaders from their critical task of finding cures. The Citizens Financial Accountability Oversight Committee, created by Proposition 71 as an additional check on CIRM, is demonstrating the capacity for continued oversight and should be encouraged with an expanded statutory charge to conduct more evaluations of CIRM's performance.

Several of the structural deficiencies identified by the Commission can be pursued by the Legislature and have been included in SB 1064. For these reasons, the Little Hoover Commission urges the Senate Health Committee to approve SB 1064 to further the voters' mandate to support stem cell science and speed CIRM's success.

If you have any questions, or if I can be of further assistance, please contact me.

Sincerely,

Stuart Drown
Executive Director

c: Members, Senate Health Committee
Peter Hansel, Staff Director, Senate Health Committee