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March 10, 2008

VIA E-MAIL INFO@CIRM.CA.GOV
FOLLOWED BY U.S. MAIL

Robert Klein, JD, Chairman
Independent Citizens Oversight Committee
California Institute for Regenerative Medicine
250 King Street
San Francisco, CA 94117

Re: Support - Proposed "California Supplier" Definition

Dear Mr. Klein:

On behalf of the California Healthcare Institute (CHI), whose more than 250 members include our state's premier life sciences companies and academic research institutions, I am writing in response to the CIRM Staff Recommendation for Denial of Petition for Adoption of Regulation Defining "California Supplier" for Goods and Services Procurement by CIRM Grantees.

California is the worldwide headquarters for biomedical research and development. More than 2,600 biomedical companies and 100 public and private research institutions are devoted to solving major unmet medical needs such as cardiovascular and respiratory disease, cancer, diabetes, AIDS/HIV and other infectious diseases. The California life sciences industry is also an important engine of economic growth for the state, employing more than 270,000 workers, providing over \$18 billion in wages and salaries, and investing some \$28 billion annually in R&D.

In 2004, with the passage of Proposition 71, Californians sought to build upon this preeminent biomedical infrastructure with a \$3 billion public investment in stem cell research. In the voter-approved measure, there is an explicit statutory "preference" for California suppliers.

The ICOC shall establish standards to ensure that grantees purchase goods and services from California suppliers to the extent reasonably possible, in a good faith effort to achieve a goal of more than 50 percent of such purchases from California suppliers." (Health and Safety Code Sec. 125290.30(i))

In January 2008, a petition was filed by Wilke, Fleury, Hoffelt, Gould & Birney, LLP, on behalf of Invitrogen Corporation, to the California Institute for Regenerative Medicine (CIRM) and the Independent Citizens Oversight Committee (ICOC), requesting the

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adoption of a regulation to establish a definition of “California Supplier.” CIRM staff recommends that the ICOC deny this proposed undertaking. CHI believes that this is an appropriate rulemaking task for the ICOC and we respectfully request that they initiate a public proceeding to shape a needed definition, using proposed language subject to public comment. Without clarification, how will a CIRM-funded grantee report to the CIRM that it is or is not purchasing more than 50 percent of its goods and services from a California supplier as required by the statute?

CHI, in conjunction with other industry stakeholders propose the following language:

17 Cal. Code of Regs. §100XXX (to be determined)

As used in Section 125290.30 (j), and generally whenever referenced, “California Suppliers” means (a) sole proprietorship, partnership, joint venture, corporation, or other business entity the owner(s) or policymaking official(s) of which are domiciled in California and (b) whose permanent, principal office or place of business is located in California and (c) from which the supplier’s trade or business is directed or managed.

Given the intent of Prop 71, to facilitate the research and development of new stem cell therapies and to foster the continued growth of the biomedical community in California, it seems logical that, when possible, California based entities should take precedence. Unquestionably, California’s research tools companies have the ability to provide the necessary goods and services for CIRM-funded research without imposing any undue limitations on grantees. Just as first-rate research can be done within the California-only restriction on CIRM research grants, so, too, can world-class goods and services be obtained from California suppliers. The economic benefits of purchasing tools and supplies from California suppliers are obvious: job creation, tax revenues, economic growth. The ICOC, through other policies and practices, has been diligent in ensuring the maximum benefits to the state of California and its taxpayers, and we see no reason to dilute that effort here.

Despite the staff recommendation, we respectfully request that the ICOC move forward with a public process for defining a California supplier. Given the current fiscal situation in the state, we believe that the CIRM and the ICOC can implement the requirement in a manner that neither burdens grantees nor limits their research potential, while ensuring that the economic benefits of Prop 71 stay within California.

Sincerely



David Gollaher, Ph.D.
President and CEO
California Healthcare Institute (CHI)

cc: Ms. Tamar Pachter
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