

**SCO testimony on IOM report before ICOC Board Meeting
January 23, 2013**

Good afternoon, I am Ruth Holton-Hodson, Deputy Controller for Health and Consumer Policy. On behalf of Controller John Chiang, who chairs the Citizen Financial Oversight and Accountability Commission, I wanted to state his support for several of the IOM's governance reforms. But first I wanted to extend the Controller's support for the proposal that the Chair has laid out. It is a thoughtful and positive approach that addresses key issues raised by the IOM and would send an important message to the public that the ICOC has heard the concerns and taken them seriously.

However, there is one issue that is not addressed that the Controller wanted me to raise, one which you have heard us raise before, and that is separation of operations from oversight. While the chair's proposal clarifies the duties of the President and Chair so they do not overlap, there is still the central problem of the Chair being engaged in day-to-day operations which is completely contrary to good governance best practices. The Controller recognizes that under Prop. 71 the Chair and Vice Chair have specified statutory duties; however, as the ICOC's counsel has opined, the Board has some discretion as to how these duties are carried out and could request that the Chair and Vice Chair delegate these duties to staff to the extent permitted by law. The IOM report is the third review of the agency that has raised the issue of the problematic governance structure. It is the Controller's hope that this time the ICOC will act upon those recommendations and separate operations from oversight.

Specifically to the conflict of interest issue, the Controller recognizes that the Board has strict conflict of interest and recusal policies; however, as the IOM report emphasizes, the current structure creates a strong perception of a conflict of interest which is damaging to the public's trust in ICOC grant decisions. Requiring the institutions to abstain from voting on grants as the chair proposes will go a long way in addressing these perceived conflicts of interest.

The Controller does not, however, agree with the IOM's recommendations to revise its conflict of interest policies to consider an individual's interest in a particular disease as a conflict. He believes that the patient advocates play a critical role in ensuring that the voices of those most affected by the diseases for which stem cells are so promising are heard.

Finally, a word on the IP regulations: We would strongly concur with the Chair that Prop. 71's promise to the taxpayers regarding access, pricing and revenue sharing should be maintained.

Thank you.