

Vote YES on Proposition 71: The California Stem Cell Research and Cures Initiative, has created a world-class web site to convince you to vote Yes on Proposition 71. On that web site is a set of questions and answers about Proposition 71, prepared by its advocates. You can find this "Q&A" at:
<http://www.curesforcalifornia.com/qa.php>.

This document examines some of the questions and answers there, and asks some questions of its own.

Who funded the effort to place Proposition 71 on the ballot?

Supporters of the initiative submitted over one million signatures to the Secretary of State in order to secure placement on the November 2004 ballot. **This effort was funded solely by disease and patient advocacy groups, concerned citizens, and friends and families of patients afflicted with many currently incurable diseases and injuries.**

What about the venture capitalists listed in the articles below who've provided essential seed funding, angel funding, to qualify Proposition 71? Are they all "friends and families of patients afflicted with many currently incurable diseases and injuries" or are they merely "concerned citizens"? They all stand to make hundreds of millions of dollars from the cures that Proposition 71 will find with public taxpayer money that will be marketed by private companies in which they've invested.

http://www.usatoday.com/tech/news/techpolicy/2004-05-21-stem-cell-vc-calif_x.htm

<http://www.camradvocacy.org/fastaction/news.asp?id=780>

5.

Why should the State fund this research rather than private companies?

Therefore, publicly funded, non-profit research institutions do what they are best at...conducting the research and finding the cure. **Then, the private/for-profit companies, and their accompanying private capital, can step forward for the second phase to funnel that cure through the FDA approval process and on to a commercially, viable market. In essence, the two sectors work together by each focusing on the parts of the puzzle that they are uniquely designed to accomplish.**

What do you mean by a commercially viable market? Isn't there one already? Isn't the existence of such a market for these stem-cell-derived cures the core premise of this entire effort? Are you saying that we need to turn the intellectual property created at taxpayer expense over to private companies in order to create a market for it?

In essence, the two sectors work together by each focusing on the parts of the puzzle that they are uniquely designed to accomplish.

6. Which part of the puzzle is it that the private sector is "uniquely designed to accomplish"? To get the discoveries approved by the FDA so they can sell them back to the people who paid for them in the first place?
7. Who will benefit financially and who will benefit medically from these publicly-financed cure discoveries?

And, California is not alone in this endeavor. Given the federal funding limits, various states across the nation, including California and New Jersey, are seeking mechanisms to provide state funding for stem cell research

8. What other mechanisms is California seeking to provide state funding for stem cell research? Do those mechanism include paying for this research directly out of the State's general fund, thereby foregoing the opportunity to pay bondholders 3 billion dollars more from the general fund, with many of those bondholders being precisely the same venture capitalists and other investors who are already heavily invested in the bio-tech sector generally and stem-cell-based companies specifically and who want to see a good return on their investments, even if they have to turn a blind-eye to their own past pronouncements and deeply-held beliefs about the proper role of government in financing innovation?

What type of funding does Proposition 71 provide?

Proposition 71 authorizes low-interest, **tax-free state bonds** that will provide an average of \$295 million per year over a 10-year period to fund stem cell research by scientists at California universities and other advanced medical research facilities throughout the state.

9. In what sense are Proposition 71 bonds "tax-free"? In the sense that those buying them won't have to pay taxes on the income they derive from them or in the sense that tax money won't be needed to pay the 3 billion dollars in profits going to the bond holders?

10. A major premise of your campaign is that this investment ought to be made because it will establish California's as the leading venue for stem cell research.

As you say:

No general fund payments are required during the first five years, so there's absolutely no cost to the state's general fund during this period of economic recovery. Meanwhile, **the research funded by Proposition 71 will make California a world leader in stem cell research.** It will create thousands of new, good paying jobs and generate millions per year in new state tax revenues.

11. What about AFTER the first five years? You don't say anything about the 3 billion dollars in interest payments that will go to the Proposition 71 bond holders. When will those payments begin? How much will Proposition 71 cost California tax-payers over the 20-year life of these bonds?

It will create thousands of new, good paying jobs and generate millions per year in new state tax revenues.

12. On what basis do you make this assertion? There no doubt that Proposition 71, if passed, will literally provide billions for medical bureaucrats and researchers, construction companies, and the pharmaceutical companies owned by the financial backers of Proposition 71 who are also the people who'll be getting the 3 billion dollars in interest on the bonds and the huge profits if anything pans out. But, as we already know from years of experience, this does not necessarily translate into "thousands of new, good paying jobs" or even the generation of "millions per year in new state tax revenues," especially when marketing and promotion costs for these new "wonder cells," not to mention other forms of creative bookkeeping, will enable the Proposition 71 backers/bondholders/largesse recipients/investors to hold on to the lion's share of the profits generated by this measure.

Proposition 71 was carefully designed to protect taxpayers and the state budget. It doesn't create or increase any taxes. And, the bonds are designed to be self-financing over the short term and long term.

13. Even without creating or increasing any taxes, won't Proposition 71 still cost California taxpayers 3 billion dollars? What does "designed to be self-financing over the short term and long term" mean? Does it mean that enough money will come into the state from royalties on the discoveries it pays to find that taxpayers won't need to pay any of their money to retire the bonds?
14. What about the free-market ideology of letting the market pick the winners, not the government, so passionately espoused by many of the venture capitalists behind this effort?
15. Meanwhile, the research funded by Proposition 71 will make California a world leader in stem cell research.
"Proposition 71 will make California a world leader in stem cell research." What's the factual basis for that prediction? Aren't the Koreans, the Europeans, the Chinese and who-knows-who-else working just as feverishly as Californians to become world leaders in stem cell research? How does spending 6 billion dollars to accelerate stem cell research in California assure that it will become the world leader, and able to reap the billions in profits that world leadership may mean and upon which the financial arguments for Proposition 71 are based?

What impact will Proposition 71 have on health care costs?

The research supported by Proposition 71 could significantly reduce our skyrocketing health care costs. California has the highest total health care spending costs in the nation over \$110 billion per year. Diseases and injuries that could be cured with stem cell therapies cause a huge share of these costs. By leading to cures that reduce health care costs by just one percent, Proposition 71 could pay for itself within a few years. And, the potential savings could be far greater possibly reducing our costs by tens of billions of dollars in the decades ahead.

16. Are the costs of the treatments derived from this publicly-funded research necessarily going to be any less than the costs of present-day, non-stem cell treatments? If research efforts in this field are so expensive that they require the extraordinary infusion of 3 billion in taxpayer dollars, doesn't that reflect the complexity and difficulty of the whole stem cell space, which complexity and difficulty may very possibly be also reflected in the technologies needed to implement these cures? Such complex and difficult treatments, like currently-existing cutting-edge treatments, only perhaps more so, could easily involve costs equal to or greater than those of the treatments in use today.
17. Will taxpaying residents of California be entitled to the cures they would be paying to discover under Proposition 71 for free or at cost, or will they need to pay a stiff premium to the **"private/for-profit companies, and their accompanying private capital"**? Will the millions of Californians with no health insurance at all be eligible for these treatments? What's the likely co-pay on the exotic treatments the discovery of which Proposition 71 hopes to finance? Will the medically-indigent be able to get stem-cell-based cures in the crowded emergency rooms where they now get most of their health care? Will the institutions attached to those emergency rooms be able to absorb the costs of these stem-cell-based

treatments if the patents on them belong to profit-making corporations determined to maximize shareholder value, as envisioned and called for by Proposition 71?

In addition, Proposition 71, the State will have the opportunity to **benefit from royalties** that result from the research, which **could** generate millions more in new state revenues for decades to come. And, finally, the research funded by the initiative could lead to cures that cut health care costs by billions of dollars -- which means that the initiative could pay for itself many times over in the years ahead.

18. What exactly are the terms and conditions contained in Proposition 71 about the royalties accruing to the state under the provisions of Proposition 71? Have you run calculations showing how much the state will pay, how much it could possibly get back in royalties, how much the V.C.'s have put into qualifying and passing Proposition 71, how much they stand to gain and what the relative risk-to-reward ratios are for all parties to this deal?

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19. What does it mean that "the initiative could pay for itself many times over in the years ahead"? Does it mean that 6 billion dollars in taxpayer money will create 30 or 40 billion dollars in shareholder value for bio-tech investors? How is that "paying for itself"? It's more like citizens paying to enrich investors, isn't it?

20. I've recently been involved in covering the creation of the Center for Quantitative Biology at Princeton. This is an NIH-funded center that will be investigating basic questions about life, mostly through computer modeling. Its budget for this year will be 3 million dollars and it is expected to total 14.8 million dollars over five years. I also recently interviewed the President of Orion Multisystems (at: <http://www.etopiamedia.net/emtnn/pages/cww/cww1-5551212-08-31-04-5551212.html>), whose company recently launched a 10,000 dollar desktop Cluster Workstation which is a supercomputer able to perform the type of bioinformatic calculations on which the CQB will be using for advance basic biological science. Why spend 3 billion dollars on research which will cost the taxpayers 6 billion dollars when it might be possible to do much of the research needed to create stem cell-based cures for around 1/1,000th as much? It used to be that rabbits and cats were used for testing cosmetics. Thanks to the efforts of animal rights activists and advances in computer technology, much of that same testing is now down through computer modeling. If that kind of "bio-medical research" has been possible to do on computers for years, couldn't the more complex research involved in understanding how stem cells work be done on computers now, or very soon, with no need to float a 3 billion/6 billion dollar bond measure? Unless it's the borrowing and pending of the money itself that is the real purpose of Proposition 71, not any scientific breakthroughs.

21. Why are building contractors such avid supporters of this proposition? What exactly is in it for them? Do we really have as severe a shortage of lab space as seems to be reflected in the provisions of Proposition 71 that allow 25% of the 3 billion dollar kitty/boondoggle, or 750 million dollars, to be used for constructing new "facilities"?