TEXAS HEALTHCARE & BIOSCIENCE INSTITUTE

TESTIMONY OF THOMAS R. KOWALSKI

PRESIDENT AND CHIEF EXECUTIVE OFFICER

TEXAS HEALTHCARE AND BIOSCIENCE INSTITUTE

BEFORE

THE JOINT ECONOMIC COMMITTEE

UNITED STATES CONGRESS

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Thank you, Chairman Casey, Vice-Chairman Brady and the entire Joint Economic Committee for inviting me here today.

I'm Tom Kowalski, President of the Texas Healthcare and Bioscience Institute.

Our organization's mission is to research, develop, and advocate policies and legislation that promote biomedical science, biotechnology, agriculture and medical device innovation in Texas.

The issue you are considering today – how targeted tax incentives can be used to enhance medical innovation, life sciences education, and job creation here in the United States – is of great interest to me and of vital concern to our industry.

The impact of the life sciences industry on the US economy is significant. It advances medical knowledge, develops products that keep our country at the cutting edge of global competitiveness, and supports millions of high quality jobs.

As important as the direct benefits to our nation's economy, the innovations produced by these companies are also helping Americans live longer, healthier lives.

I would like to share with you the positive impact the life sciences industry has had in Texas both in improving the health of Texans, as well as in creating a robust job sector. Much of this development has occurred because of the very vital investment Texas has been willing to make into the life sciences.

Texas has a dynamic biotechnology marketplace with an estimated economic impact of 75 billion dollars. The state has many national top 10 rankings in biotechnology and is home to over 4,100 biotechnology, biomedical research, business and government consortia, medical manufacturing companies, and world-class universities and research facilities, employing over 104,400 at an average annual salary of over 67,300 dollars. A significant number of top global biotechnology and pharmaceutical companies have Texas locations, underscoring the state's vitality. Government support; a highly trained workforce, excellent educational, medical, and research institutions; a first-rate transportation and logistics infrastructure; and a top ranked business climate all strengthen the state's status as a biotechnology leader.

There are significant factors pointing to the robust growth of the Texas Life Science Industry.

First – University research is the lifeblood of our state's innovation, medical treatments and job creation. The Texas Health Science Centers are the crown jewels of our industry.

Secondly – There has been a significant investment from the State into the life science industry which has enabled research technology transfer and commercialization to successfully occur. Much of the state's investments require academic/private sector collaboration and the Life Sciences Investment Act will compliment these efforts by the potential infusion of industry research dollars and future collaborations which extend to increase workforce and added clinical trials.

The Texas Emerging Technology Fund is one of those programs. The ETF as it is known, has allocated more than 193.7 million dollars in funds to 131 early stage companies and

nearly 173 million dollars in grant matching and research superiority funds to Texas Universities.

Investments by the TETF attract additional investment capital to emerging technology companies. Since the fund's inception, more than 407 million dollars in private capital has been invested in ETF funded businesses – more than double the state's contribution.

Another key program in Texas has been the creation of the Cancer Prevention and Research Institute of Texas. It is known as CRPIT. The Texas Legislature and the Governor authorized the program, which the voters approved in 2007, the program has funded 256 grants totaling more than 382 million dollars for cancer research, commercialization and prevention in 46 academic institutions, nonprofits, and private companies. More than 500 million dollars, including matching funds has been invested in Texas extraordinary efforts to lead the nation in cancer research. CPRIT has become one of the largest cancer research grant making organization in the nation. Our focus in Texas has been to create such a strong life science environment that we keep our companies in our state and attract additional companies to Texas. By these investments, we continue to fine tune our workforce and more importantly put our graduates to work in Texas companies.

The industry has enjoyed a strong growth rate of 14% from 03 to 08. These programs have added stability during the last two years to enable our companies to continue to raise capital and invest that capital into the R&D process.

While individual states can do much to support the growth of the life sciences industry, continued and increased support at the federal level is paramount.

The biotechnology industry directly provides hundreds of thousands of good paying jobs for America's working families. However, over the last decade, America's leadership in the life sciences industry has begun to erode. To retain those jobs and to create new ones the success and growth of the industry's basic research efforts, as well as innovations in effective treatments and associated technology advancements, must remain in the U.S.,

where they will contribute to our nation's future economic growth and international competitiveness.

Unfortunately, as the costs of developing new biotechnology products in the U.S. continue to rise, companies are under great pressure to find lower cost locations to conduct their research and development.

We can adjust our tax policies and remain the international leader in biotechnology research, development and manufacturing, or we can watch the industry move overseas, like so many before it.

Narrowly tailored tax incentives aimed at ensuring investment in domestic biomedical research and development will create a demand for highly skilled workers, promote higher education in the life sciences, encourage greater scientific collaboration, and improve our nation's overall economic well-being and health.

Thank you.