



Testimony of the Biotechnology Industry Organization

Submitted to the Hawaii Senate Joint Committees on Water, Land, & Agriculture Energy, Environment, & International Affairs

February 10, 2005

Regarding Senate Bills 644, 645, 647, 649, 1037, 1847

On behalf of the Biotechnology Industry Organization (BIO), please accept this testimony on several bills (S.B. 644, 645, 647, 649, 1037, 1847) regarding advanced agriculture. BIO has worked closely with the State of Hawaii for the past several years to help the state grow and attract technology-based industries. These industries bring high-skill, high-wage jobs to the state. BIO is now joined by the Hawaii Life Sciences Council (HLSC) in its mission to work with the Hawaii Department of Business, Economic Development, and Tourism (DBEDT), Hawaii High Technology Development Corporation (HTDC), the University of Hawaii, and others to promote the life sciences industry in Hawaii.

Hawaii has taken significant steps in the past several years to increase infrastructure and capacity to accommodate its growing life sciences industry. Advanced agricultural research is one of the key attributes in the state's life sciences portfolio. With world-renown research being conducted at the University of Hawaii, College of Tropical Agriculture and Human Resources at Manoa, and the College of Agriculture, Forestry and Natural Resource Management at Hilo, Hawaii is perceived as a center of excellence for advanced agriculture.

BIO Testimony
February 10, 2005
Page 2

The well-deserved reputation the state has earned for research excellence could be severely tarnished by the legislation before the committees. The above-referenced bills, if adopted, would send a negative message to life science companies and entrepreneurs currently in or considering locating to Hawaii. And though projecting an anti-technology messages appears to be the intent of the legislation, it would not be in the best interests of the State of Hawaii.

From an outside perspective, one need look no further than the fact that 26 bills have been introduced this year to regulate, restrict, or outright ban, technology-based agriculture. This volume of anti-technology legislation casts a potentially negative light on the state's acceptance of technology-based industries like biotechnology. The perception of an unstable and seemingly hostile research and business environment cannot be overlooked.

We recognize testimony will be offered from other state-based organizations regarding the proven safety, effectiveness, and societal benefit of agricultural technology. We echo their support of the technology. Our primary concern is that the state is potentially doing itself a significant disservice by considering this type of legislation - particularly the volume of legislation.

Competition for the life science and biotechnology industries has never been more intense. Almost every state is aggressively increasing its life science infrastructure in the hopes of benefiting from the significant economic development potential of technology based industries. In addition, every industrialized country in the world covets the fact that the United States is the world leader in the life sciences.

In a report prepared by the Battelle Memorial Institute titled, *Laboratories of Innovation: State Bioscience Initiatives 2004*, data was captured indicating that more than 40 states are actively seeking or have already put in place provisions to foster research and development life science clusters. The rationale for this intense state interest in the biosciences is clear: the creation of high-skill, high-wage jobs; and, economic diversification. According the

U.S. Bureau of Labor Statistics (BLS), the average annual salary of an individual employed in the biosciences is \$62,000. This is \$26,000 more than the national average for the entire private sector combined. In addition, the BLS projects that the biosciences are expected to grow at faster rate, in the next decade, than any other industry sector – 13% greater than average growth rate for overall U.S. employment

The report captured the following data about Hawaii:

- ***Hawaii's academic institutions, according to the "State Government Initiatives in Biotechnology 2004" report, spend approximately \$63 million on life sciences research and development (R&D) annually.*** This investment continues to grow each year and has increased approximately 60 percent over the last ten years.
- ***The University of Hawaii is updating and expanding its medical facility in Kaka'ako Construction of a state-of-the-art, expanded medical school facility.*** The Legislature allotted \$150 million of tobacco settlement funds for revenue bonds to finance the first phase, which will be occupied as early as 2005 and include a 216,000-square-foot research facility, and a 138,000-square-foot for education and administration building. This undertaking is projected to generate \$80 million to \$100 million into the state annual revenues and create 1,000 new jobs.
- ***Hawaii's Department of Business, Economic Development & Tourism of the biotech industry as a strategic growth industry.*** In 1999, DBEDT released "Biotechnology in Hawaii: A Blueprint for Growth," which outlines several strategies for promoting an indigenous biotech industry in the state. This document identifies several strategies for the state to undertake, include the following initiatives: "expanding venture capital for the biotechnology sector; implementing a tax structure that provides incentives for high-technology product development companies; improving the transfer of university developed technologies; and developing a bio-age curriculum." Many of these strategies have been made a reality.

BIO Testimony
February 10, 2005
Page 4

For example, in exchange for equity, the Hawaii Strategic Development Corporation (HSDC) leverages public funds with those from the federal government and private sources to provide investment capital in biotech and other industries. In addition, tax policy in place includes high-technology business investment tax credit, a tax credit for increased research activities, net operating loss carryover, ability to exclude high-tech royalties from gross income, as well as a tax exemption on stock options from qualified high tech businesses.

The State of Hawaii has made real strides towards improving the business climate for industries like biotechnology. These bills before you today, if enacted, have the potential to harm the state's reputation as a center of excellence for research and development of technology-based industries. We feel this legislation is out of sync with the state's policy objectives and encourage the legislature to oppose these bills.

We thank you for your consideration and stand prepared to answer any questions or provide additional information to the committee as needed.

Respectfully submitted,

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The Biotechnology Industry Organization (BIO) is the national trade organization, based in Washington, DC, representing more than 1000 biotechnology companies, academic institutions and biotechnology centers in all 50 states and 33 countries. BIO members are involved in the research and development of health care, agricultural and environmental biotechnology products.