

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 135

(The Speaker, *et al.*) (By Request – Administration)

Economic Matters

Finance

Maryland Life Sciences Advisory Board

This Administration bill establishes a 15-member Life Sciences Advisory Board (LSAB) in the Department of Business and Economic Development (DBED). Life sciences include biotechnology, pharmaceuticals, biomedical technologies, life systems technologies, food sciences, environmental sciences, and biomedical devices. LSAB must report to the Governor and the General Assembly by December 15 annually. The report must include any recommendations from LSAB and must summarize LSAB's activities during the preceding year.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: None. The bill's requirements could be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Analysis

Bill Summary: LSAB must assist DBED in:

- developing a comprehensive State strategic plan for life sciences;
- promoting life science research, development, commercialization, and manufacturing within the State;
- promoting collaboration and coordination among State higher education research institutions;
- developing a strategy to coordinate State and federal resources to attract private-sector investment and job creation;
- developing a strategy to support federal life sciences facilities within the State, including support for infrastructure and capital investment needs; and
- making recommendations to address critical needs in the life sciences.

LSAB must give due consideration to the business, scientific, medical, and ethical aspects of the life sciences industry. The members of LSAB must meet specific criteria: three must represent federal agencies located in the State with life science missions; four must represent higher education institutions, including one representing a community college, one must be a member of the general public; five must have specified experience in life sciences businesses located in the State; and one must represent the Maryland Technology Development Corporation. The Secretary of Business and Economic Development is also a board member. The bill also establishes the length of a term of an appointed board member and establishes procedures for ending a member's service through expiration of a term or through removal by the Governor.

Current Law: A tax credit against the State income tax is available for individuals, corporations, and venture capital firms that invest in qualified biotechnology firms. The value of the credit is equal to 50% of an eligible investment made in a qualified biotechnology company during the taxable year. The maximum amount of the credit cannot exceed (1) \$50,000 for individuals; and (2) \$250,000 for corporations and venture capital firms.

In addition, biotechnology companies, along with other types of companies, are eligible for certain tax credits and financial assistance from DBED. Since 2003, DBED has financed at least \$21.7 million in life science and biotechnology infrastructure projects, including investments in nanotechnology, biopharmaceuticals, and research and technology parks, at higher education institutions through the Economic Development Opportunities Program Fund.

Background: With the location of world-class research facilities within the State or in the Washington, DC region, including the National Institutes of Health, the University of Maryland, Johns Hopkins University, the U.S. Food and Drug Administration, and the National Naval Medical Center, the region has distinct advantages for bioscience and

biotechnology companies. According to DBED, Maryland has the third or fourth largest State cluster of bioscience companies in the nation, and the second largest per capita in the nation. However there is fierce competition, globally and nationally, to grow, expand, and attract the bioscience industry.

According to MdBio, Inc., a regional trade association, in 2006 an estimated 360 private bioscience companies are located in Maryland, employing about 23,200 people. Of those, approximately 50% were involved in human therapeutics (*i.e.*, developing treatments for humans); 25% were involved in bioscience services, providing contract research, clinical, and manufacturing support; 20% were research tools and diagnostic companies; and 5% were agricultural biotechnology and nutrition companies. Twenty-four percent were located in the Baltimore region, 16% in the Frederick region, and 60% in Montgomery County.

Only 33% of companies responding to a MdBio, Inc. survey reported being profitable in 2005. The majority of the companies, 53%, had revenues under \$1 million in 2005; many reported that family and friends were a crucial part of their financing.

State Expenditures: None. DBED advises that it could establish the LSAB with existing resources.

Additional Information

Prior Introductions: None.

Cross File: SB 104 (The President, *et al.*) (By Request – Administration) – Finance.

Information Source(s): MdBio, Inc.; Department of Business and Economic Development; Department of Legislative Services

Fiscal Note History: First Reader - February 5, 2007
ncs/rhh Revised - House Third Reader - March 22, 2007

Analysis by: Nora C. McArdle

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

