

GSP Consulting

Pennsylvania's Bioscience Focus in a National Context

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Forming A Perspective

- Shaped by work in States of Washington, Kansas, Minnesota, Ohio, Delaware, Pennsylvania looking at national peers
- Our team provides Market Intelligence for trade associations, private companies, economic development official and policymakers
- Previous experience as the state's economic development policy director and Deputy Secretary for Technology Investment at the Department of Community and Economic Development



National Perspective – Invest to Grow

- **Ohio** recently renewed their support for a range of technology under the Third Frontier initiative – voters approved \$700M in bonding to support the next four years of investment
- **Maryland** is supporting the Bio2020 initiative with over \$1.1B over the next 10 years
- **Massachusetts** Life Science Initiative investing over \$1B for a set of targeted efforts
- **North Carolina** has invested over \$1.2B over the past decade
- **Texas** created (2007) the Cancer Prevention and Research Institute - \$3B in state bonds for 10 years of investment
- **Kansas** created the Kansas BioScience Authority - \$500 million in innovative funding strategy that provides a percentage of the annualized tax payment increase of the industry
- **California** continues to invest as part of a \$3B state bond financed initiative to support Regenerative Medicine industry

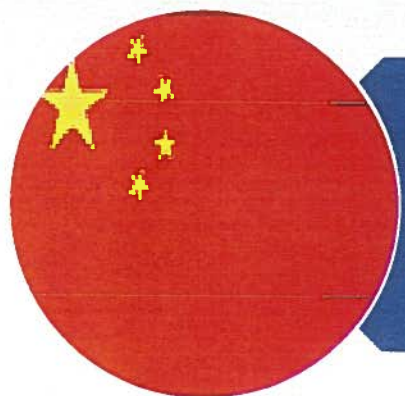


National Perspective: The Competition

- The strategies of peer states may not be where we should be looking:



India is rapidly growing as a biosciences leader with specific emphasis on Pharmaceutical manufacturing



China is moving aggressively to support the lifescience and biotechnology industry

- \$1.2B currently being invested



National Perspective: Grow Your Own

- Increasing trend to look at efforts to 'grow your own' – including firms, talent, industry clusters
 - Human Capital initiatives in many states
- Translating from smokestack chasing to 'alumni' recruitment
 - Researchers and entrepreneurs
- Recognition that there are limited corporate relocation and expansions and more jobs are being created by small, entrepreneurial and innovative firms
 - Bioscience Industry data supports this finding



National Lessons: Two Approaches to State Investment

General Fund Investments

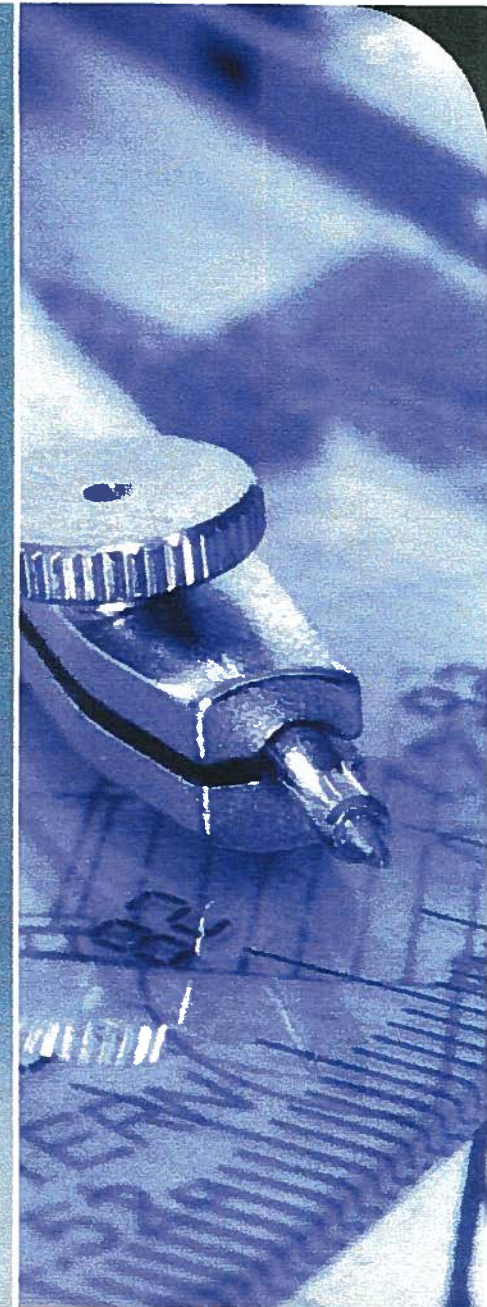
- Pros
 - Pay as you go model
 - Allow for course correction
 - Can be more controlled
- Cons
 - As state revenues fall, so does support for industry
 - Lack commitments
 - Disaggregated Message

Bonds and Tax

- Pros
 - Allow for larger commitments
 - Can fund 'big' projects/ opportunities
 - Can peg to milestones
- Cons
 - Borrowing costs, push out payments
 - Competing industries
 - Structure can escape control

Pennsylvania

A Bioscience Leader





Pennsylvania's BioScience Leadership

- **Pennsylvania was an early pioneer in supporting the industry with commitments to:**
 - LifeScience Greenhouse Initiative
 - Health Venture Investment Account
 - Commonwealth Universal Research Enhancement initiative
- **Partnership between industry and government to grow jobs**
 - Government provides investment and regulation
 - Industry matches with investment and job creation
- **Success brings attention and emulation**
 - Several states launched major initiatives in response
- **Pennsylvania Bioscience partnership is weakened**
 - Budget cuts impact industry, economy has been harsh, future strategy is unknown

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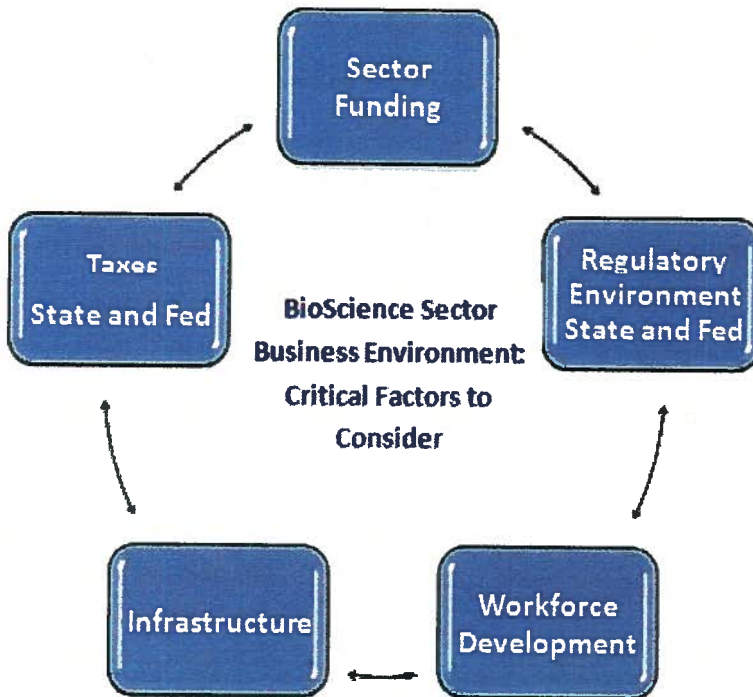
Pennsylvania Competiveness

BioScience Business Climate Decision Factors

- **Location** – proximity to markets and supply chain
 - **Workforce** – ready and able workforce, talent at all employment levels and access to training supports
 - **Tax Structure** – what are supports or impediments to profitability and growth
 - **Real Estate** – cost of acquiring property and expansion opportunities
 - **Infrastructure** – telecom, transportation, utility costs, water and sewer
 - **Incentives** – local and state incentives for capital investment, expansion and job growth
 - **R&D** – university centers, faculty, specialized tools & resources
 - **Regulatory Environment** – environmental, reimbursement rates for drugs and devices
 - **Quality of Life** – ability to attract and retain knowledge workers and supply chain partners
- **Pennsylvania's ranking by Site Selection magazine has fallen in recent year's from the top spot to #3 in 2009**
 - **Reasons: declining levels of industry support and uncoordinated economic message**



Pennsylvania – the Business Environment

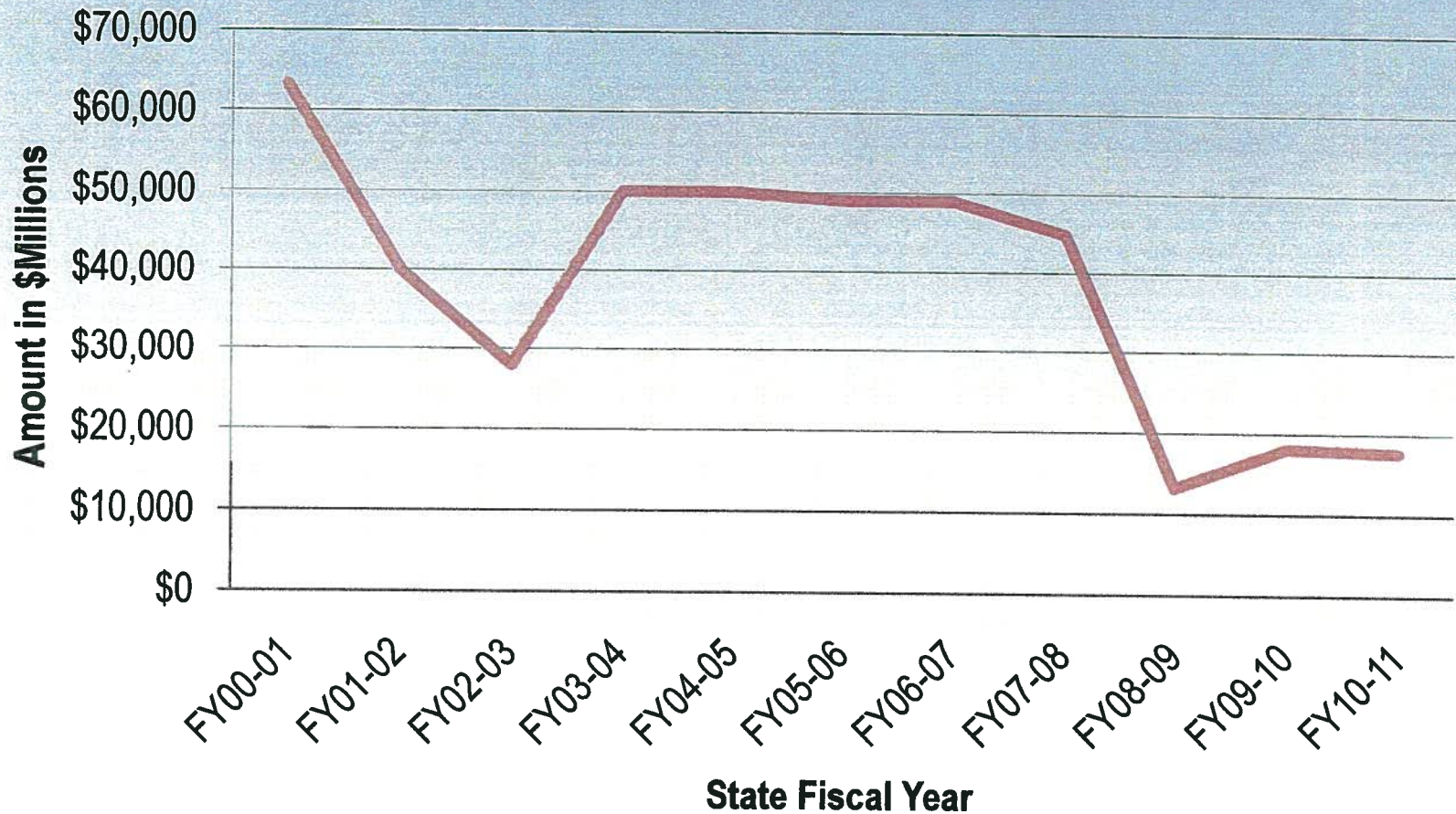


- Industry Support must be broad and coordinated
- Simply cutting taxes and not focusing on workforce development or infrastructure needs will backfire
- Every company will value these factors differently – get broad opinions



Pennsylvania – Supporting the Industry

Opportunity Grant Program Funding

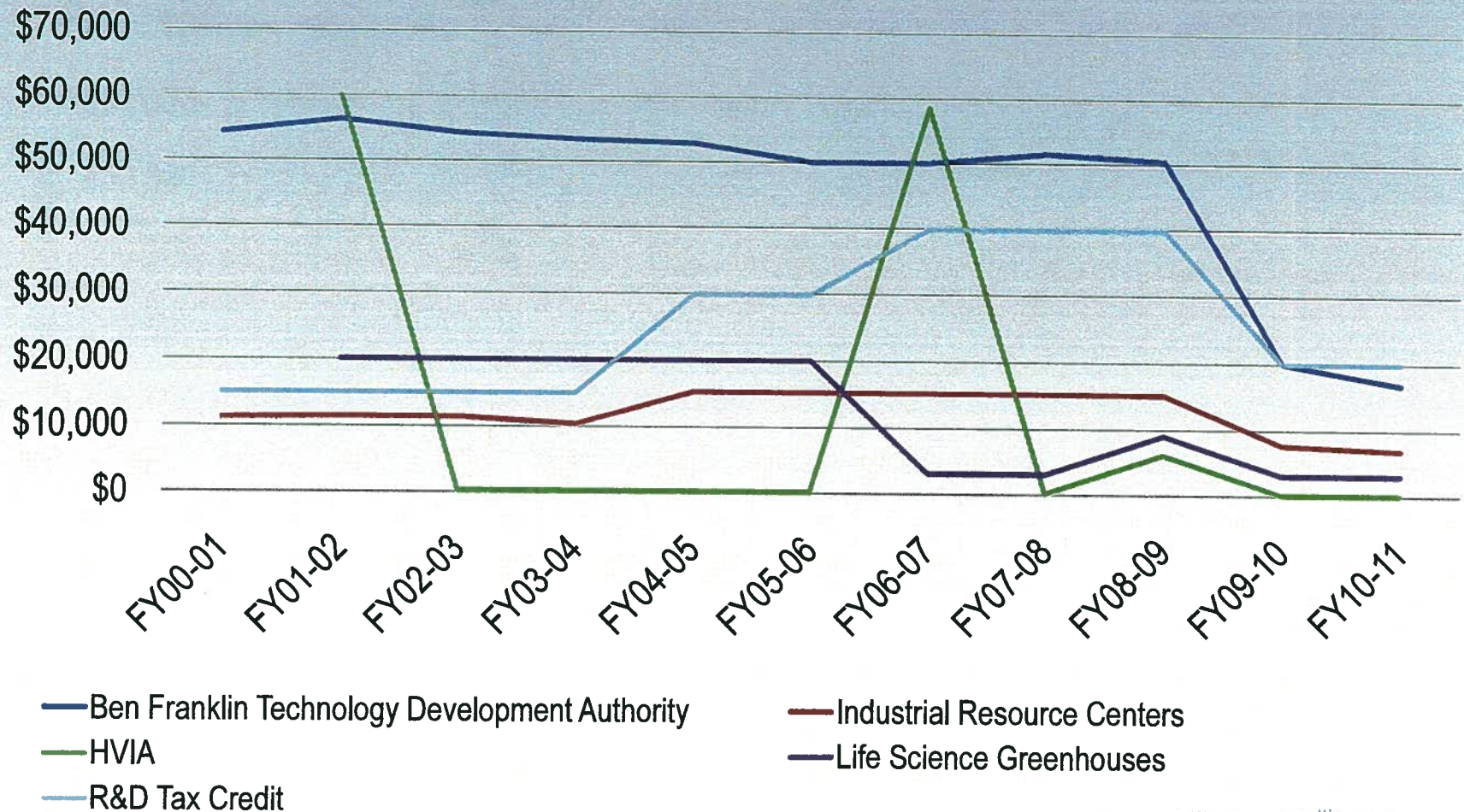


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Pennsylvania: Where Does Path Lead?

Select PA Innovation Investments



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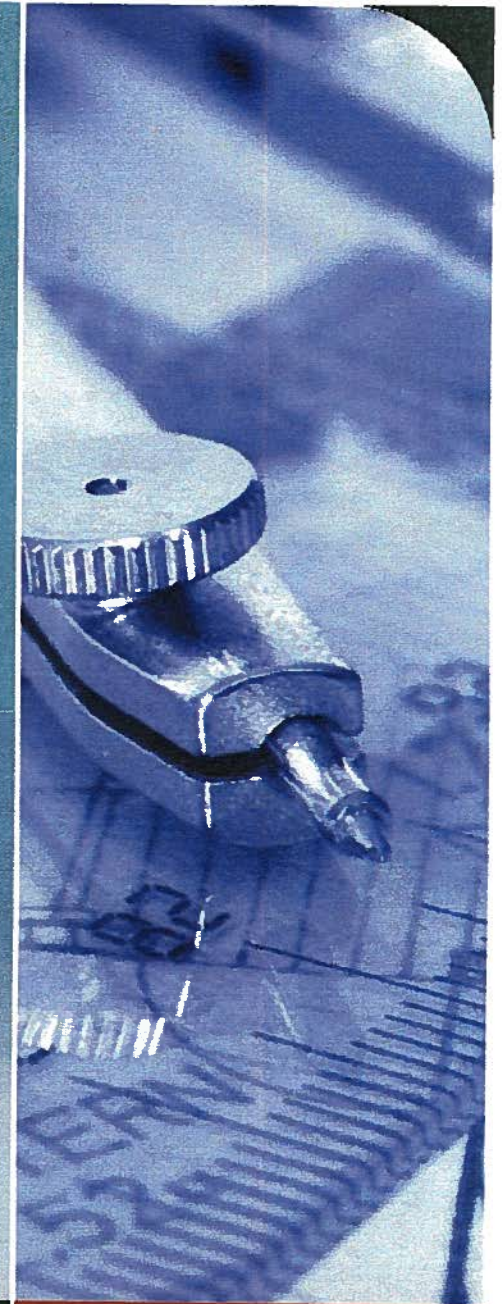
2010 and Beyond

- **Develop a coordinated Bioscience Investment and Opportunity strategy**
 - Engage Industry, Investors, Universities, Agencies
 - Consider the bioscience continuum and be strategic to fill gaps and seize opportunities
- **Identify a funding commitment level and be creative in how it is funded and supported (Kansas and Ohio)**
- **Assign a BioScience Liaison from the Governor's Office**
 - Quarterback strategy between Health, Labor, Economic Development, Environmental Protection
- **'Grow our Own' and be opportunistic on attracting investment (requires flexibility)**

Thank You.

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Richard G. Overmoyer, Jr. Principal and Director, Economic Architecture, GSP Consulting

Rich joined GSP Consulting in 2005, leads GSP's Economic Architecture practice and provides support to the firm's Government Affairs and Development Services divisions. A Principal with GSP, Rich has emerged as one of the nation's thought-leaders in designing regional and statewide economic development strategies. Rich has spearheaded the creation and implementation of numerous successful economic development initiatives.

Experience

Prior to joining GSP, Rich's experience includes the following:

Deputy Secretary for Technology Investment, Pennsylvania Department of Community and Economic Development, Harrisburg, PA

- Managed the newly-created Technology Investment Office with an annual budget of over \$82 million in annual appropriations and \$1 billion under management
- Led the state's major economic development efforts including the Life Science Greenhouses, Ben Franklin Technology Partners, Innovation Partnership and more
- Led development and implementation of all technology-focused components of the New Pennsylvania Economic Stimulus package, including the Keystone Innovation Zone program, the Building PA program and two venture capital programs
- Developed integrated model for Commonwealth-funded technology investments that is widely recognized in the country as a best practice

Director of the Office of Policy and Technology Investment, Pennsylvania Department of Community and Economic Development, Harrisburg, PA

- Managed policy and program development for the state's economic and community development agency
- Developed and implemented the Digital Divide program to create technology training and infrastructure opportunities for low-income families and their communities
- Created structure to coordinate funding and decision-making for five state agencies
- Led \$60 million Housing Collaborative Initiative between federal and state offices

Executive Policy Specialist, Pennsylvania Department of Public Welfare, Harrisburg, PA

Manager of Operations, Radiology Department, Children's Hospital of Pittsburgh, Pittsburgh, PA

Education

Rich received a Master of Public Policy and Management from the University of Pittsburgh's Graduate School of Public and International Affairs. He received a B.A. in Political Science and English Writing from the University of Pittsburgh.