



Maintaining CALIFORNIA'S Status as The World's Biotechnology CAPITAL

California is the cradle of the biotechnology industry.

However, many other regions throughout the country and the world have their sights set on recruiting biotechnology companies away from California. If we are to maintain our status as the world's premier biotechnology region, California must remain competitive.

Biotechnology is one of the most aggressively recruited industries in the country.

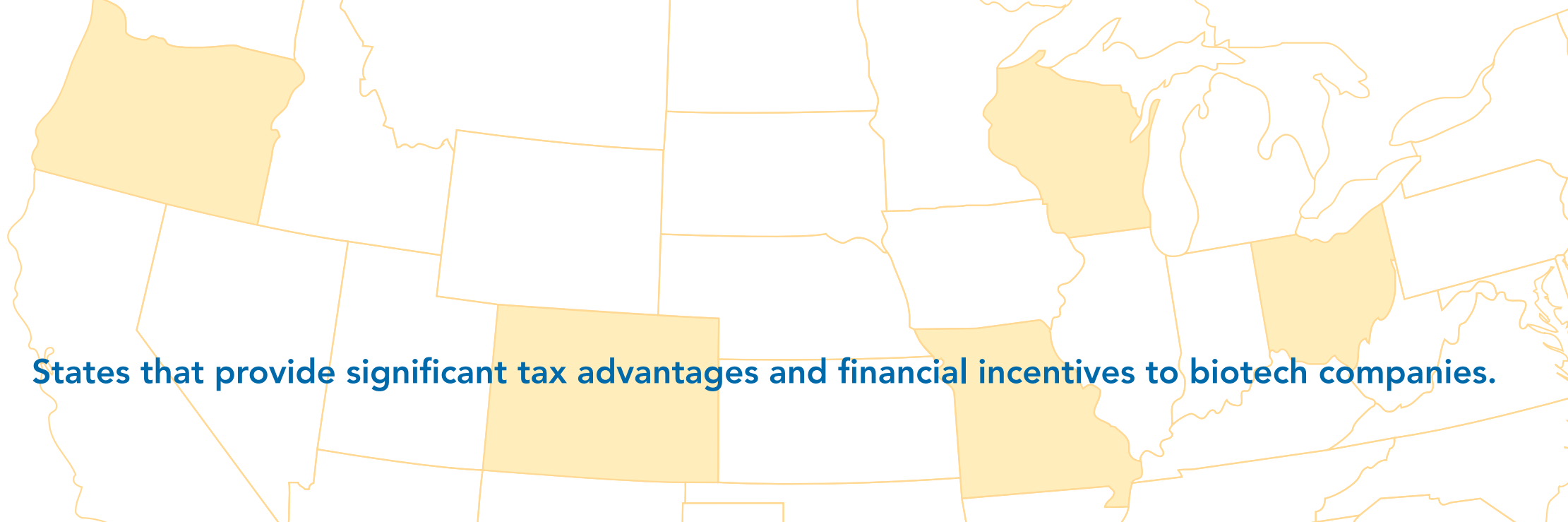
- According to one survey, biotechnology was cited by more than 80 percent of local and state economic development agencies as a priority target industry. *(Source: Angelou Economics)*
- Fueled by visions of an educated, growing, and well-paid labor force, cities and states have eagerly announced economic initiatives aimed at attracting biotechnology firms to locate in their areas—making competition for these firms fierce. *(Source: Angelou Economics)*

Few industries can rival biotechnology in community economic benefits.

- Biotechnology employees enjoy some of the highest wages, healthiest growth prospects and best benefits in the country.



- The average salary nationwide for a biotechnology worker tops \$66,000, exceeding the national average by 65 percent. Wages in the drugs and pharmaceuticals sub-sector are even higher, annually averaging nearly \$80,000. (Source: Angelou Economics) The estimated average biotechnology employee salary in California is \$81,300.
- According to a January 2007 analysis prepared by Battelle, bioscience jobs grew at a modest pace from 2001 to 2004, despite the sluggish nature of the overall national labor market and steep job cuts in manufacturing during the same period. By comparison, total U.S. employment was down slightly over the period (-0.7 percent).
- The Milken Institute estimates California's biotech industry job multiplier is as high as 4.5. This means that for every job created in the biotech industry, 3.5 jobs are created elsewhere in the economy.
- The biotech industry invests heavily in job training; most companies offer partial/full tuition reimbursement, and actively work with other stakeholders to improve career and technical education opportunities.



States that provide significant tax advantages and financial incentives to biotech companies.

Oregon and 20 other states base corporate income tax either more heavily, or entirely, on the proportion of sales that occur in the state rather than the three-factor formula in California that weighs equally the proportion of sales, and property and payroll occurring in the state.

Under the current approach in California, every time a biotech company adds an employee or bricks and mortar in this state, its state income tax increases. Every time a company adds an employee or a facility in a state like Oregon, income tax in that state is unchanged and their income tax in California actually goes down. California is offering an incentive for California companies to expand elsewhere.

The Colorado University System Technology Transfer Office (CUSTTO) has become particularly aggressive at leveraging the entrepreneurial community winning eight of 10 investments in the last two years in bio-sciences. The program was augmented by a state commitment of \$1 million, which was matched by the CU Foundation, and now enables grants up to \$200,000. Last year, Amgen announced a \$150 million expansion of its manufacturing plant in Boulder.

St. Louis, Missouri, is home to a Regional Plant and Life Science Coalition that has aggressively branded the region as the "BioBelt" and solicited several hundred million dollars in new venture capital to the region, prompting the state government to create its own life science strategy. Recent years have seen major expansions by Pfizer (\$200 million R&D center), Sigma-Aldrich and Tyco's Mallinckrodt unit, among others.

Madison, Wisconsin, has developed University Research Park that boasts a significant wet-lab incubator that was underwritten by a local utility company. Entrepreneurial activity in the region is further stimulated by a generous angel-investor tax credit capped at \$30 million, a \$50 million Certified Capital Company program, and a \$135 million commitment by the State of Wisconsin Investment Board to four venture-capital funds.

Ohio recently enacted changes to its tax structure, eliminating taxes on tangible personal property and profits, reducing personal income tax by 21 percent and exempting sales taxes to destinations outside Ohio.

Biotechnology's Impact on California

2,700 Biotechnology Companies

260,000 Estimated Number of Biotech Jobs (more than the aerospace or film industry)

\$81,300 Estimated Average Employee Salary

\$62 billion 2006 Economic Output

\$18.2 billion 2006 Wages/Salaries

Recent examples of companies locating outside California:

AMYLIN PHARMACEUTICALS

- ▶ San Diego-based company with concentrated research and development on products to treat obesity, diabetes and cardiovascular disease.
- ▶ Grown from 400 employees in 2003 to 1,100 at the end of 2005.
- ▶ Recent plans to create production facility for new diabetes drug led the company to consider sites in five different states—Ohio, Kentucky, North Carolina, Massachusetts and California.
- ▶ Company decided to site the \$70 million facility in West Chester, Ohio, and over three years will triple the 50 employees initially hired.
- ▶ Between incentives offered by the county and the state, Amylin will receive an eight-year, 75 percent tax break for the plant itself. The State of Ohio added an estimated additional \$3.5 million in tax incentives for job creation, training and other factors.

GENENTECH

- ▶ Established 31 years ago, Genentech is not only the oldest biotech company in the world, but the largest in terms of market capitalization.
- ▶ Citing California's income tax disparity as the reason for its decision, the company has broken ground on the construction of its first major manufacturing plant to be built outside California—a quarter-billion dollar facility in Oregon that will result in 200 high-quality jobs.
- ▶ The company recently decided to build its new West Coast distribution center in Oregon as well, again citing taxation as the major reason.
- ▶ Although it would like to expand its California operations, Genentech has gone so far as to say that unless California changes its current apportionment formula for income tax, it will not consider building additional manufacturing plants here.

LA JOLLA RESEARCH INSTITUTES

- ▶ Within the last couple of years, Florida state and local governments have committed approximately \$800 million in financial incentives to lure three high-profile La Jolla-based biotechnology research centers to open satellite facilities in the state: the Scripps Research Institute, Burnham Institute and Torrey Pines Institute for Molecular Studies.
- ▶ In addition to the billions of dollars expected in increased gross domestic product, the research institutes were targeted because of their ability to entice biotech firms to site operations nearby.
- ▶ The institutes' current base of operations, La Jolla, is home to one of the world's largest concentrations of biotechnology firms. Florida media reports claim that 40 of those firms have been spun out of the Scripps facility alone.