

Franchot looks to biotechs to generate more state cash

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With a \$1 billion budget shortfall looming for next year, the state could double or even triple the amount of money it generates from taxes on its biotechnology companies, the state's top tax collector said.

Maryland State Comptroller Peter Franchot said he believes the state could raise between \$1.1 billion and \$1.7 billion a year by collecting taxes from biotech businesses that move to Maryland over the next three to five years. Franchot has thrust the historically cash-strapped industry into the discussion over how Maryland can overcome a \$432 million projected revenue shortfall for this fiscal year and a looming \$1 billion hole for the next.

Meanwhile, he maintained that Maryland can cover these gaps without approving slot-machine gambling in the November general election. Revenue generated from slots gambling would go toward helping fund several state programs.



Franchot

"We have the ability to jump-start and accelerate the natural growth of the [life sciences] sector," Franchot told the *Baltimore Business Journal* in an interview Sept. 17.

However, many of the state's biotech and business leaders are skeptical the industry can be counted on to quickly fix the state's economic woes. They say the fruits of the industry — high-paying jobs and income from commercialized products — won't grow without significant state investment.

Gov. Martin O'Malley announced earlier this year an ambitious plan to put \$1.1 billion into the state's biotech indus-

try by 2020, but that investment could be delayed as the state considers program cuts to balance its budget. That leaves the state with a chicken-and-the-egg scenario for reaping more money from biotech companies.

"You can't flip a switch and have a lot of revenue coming from bioscience," said Donald C. Fry, president of the **Greater Baltimore Committee**, which has identified life sciences as a future economic driver for the region. "This isn't a short-term answer. It's at least a five- to 10-year step for the state."

It takes at least that long for most biotech companies to make money after they develop a product or drug treatment, said Jim Hughes, vice president of research and development for the University of Maryland, Baltimore.

Columbia-based Martek Biosciences, one of Greater Baltimore's profitable biotechs, took nearly 18 years to reap profits from its infant formula products.

"I think it's a bit ambitious to expect it [revenue from the life science industry] to happen in three to five years," said Steve Dubin, Martek's CEO. "There is a long-term nature to our business."

It's also not particularly attractive to investors right now. In this down economy, venture capitalists are even more cautious about putting money into early-stage biotech companies.

O'Malley's 2020 biotech initiative aims to lure more companies to Maryland, help fund small ventures and attract more venture funds to the state's industry.

The state's life science advisory board, a group created by legislation passed in 2007, is expected to make recommendations to state lawmakers by December on how it could fund the industry.

"We know we will have some money to invest, but at this point we don't know how much," said Philippe Jacon, president of Sparks-based BD Diagnostics and a member of the advisory board.