



TECH
Council MD

**2007 POLICY PLATFORM
FOR THE TECHNOLOGY AND
BIOTECHNOLOGY INDUSTRIES**



Produced by

**The Tech Council of Maryland,
whose divisions include
the Tech Alliance and MdBio**



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Letter from the CEO



On behalf of the Tech Council of Maryland (TCM) Board of Directors and Government Relations Committee, I am pleased to present the *2007 Policy Platform for Technology and Biotechnology*, which outlines TCM's legislative and policy priorities.

TCM's mission is to serve as the preeminent technology think tank where executives discuss ideas, innovate and solve technology issues that lead to business growth. The association has more than 500 technology member firms representing thousands of the region's forward thinkers. TCM members are from advanced technology, biotechnology, government, academia and the service provider industry. It is TCM's goal to create an environment where technology companies meet, learn and collaborate in Maryland's best technology networking organization.

TCM consists of two divisions, the Tech Alliance and MdBio. The Tech Alliance supports Maryland's sophisticated information technology and advanced technology communities. MdBio seeks to unify, empower and advance Maryland's bioscience industry. By combining these forces, TCM works with legislators and policymakers to enhance Maryland as a state that fosters a vibrant and successful technology community.

Technology and biotechnology innovation is vital to Maryland's economic progress. In an increasingly global economy and competitive environment, high levels of investment in research and innovation are essential, both for economic competitiveness and to yield innovations in areas such as biosciences, pharmaceuticals and telecommunications. Innovations in areas such as these are not only important to growing and sustaining Maryland's knowledge economy, but they also make tangible improvements to our quality of life.

Attracting technology and bioscience companies and the high paying jobs they provide depends on a number of factors including accessing capital, supporting entrepreneurial spirit, nurturing our education system, training a successful workforce and funding a strong infrastructure. TCM seeks to ensure that the business community partners with lawmakers and policymakers to make Maryland the best place in the nation to live and work. If Maryland can excel in all of these areas, technology companies will cluster and a successful economic future can be captured for our next generation.

Thank you for taking the time to read the Tech Council of Maryland *2007 Policy Platform for Technology and Biotechnology*. Please feel free to contact TCM if there is a way we can partner in advocacy.

Sincerely,

A handwritten signature in black ink that reads "Julie Coons". The signature is written in a cursive, flowing style.

Julie Coons
Chief Executive Officer
Tech Council of Maryland

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Top Priorities for Technology and Biotechnology

Capital Formation

Recognize the critical need for increased access to capital for early stage technology companies and biotechnology companies. A strong Biotechnology Investment Incentive Act and Research and Development Tax Credit are vital to these efforts. Additionally, it is important for policymakers to support the Department of Business and Economic Development and in particular its incentives for creating and retaining skilled workers and well-paying Maryland jobs.

Innovation

Encourage innovation and entrepreneurship in Maryland by making strong commitments to the engines that encourage this spirit. These include strong support for research parks and business incubators where innovation can grow and flourish. Lawmakers should avoid changes that stifle innovation including attempts to change or create laws regarding prescription drug importation, price controls, clinical trials and biomedical research.

Tax Climate

Maintain a fair and consistent taxation climate that balances the needs of the business community with that of budgetary responsibility. By keeping in mind the long-term impact of tax proposals, Maryland's tax climate has remained competitive with surrounding and competitor states. Tax climate is often an important consideration for companies considering expansion or relocation.

Workforce

Encourage continued efforts to create, attract and retain a highly educated and skilled workforce. Particularly in competitive technology-related fields, many technology employers report that they have a number of unfilled jobs in this region. One of the biggest impediments to Maryland's continued growth of advanced technology businesses is lack of qualified workforce to fill these largely high-paying jobs.

Higher Education

Build upon the success of Maryland's higher education system by ensuring tuition costs are affordable. Higher education funding needs to remain a priority for policymakers because an educated workforce is vital for Maryland to be competitive in today and tomorrow's knowledge economy.

Transportation

Ensure that policymakers make transportation, particularly in the Maryland/Virginia/Washington, D.C. region, a priority when considering project planning and long-term funding stability. Building the Inter-County Connector while also focusing resources on mass transit options should be an important priority. This can only be accomplished through long-range transportation planning, a strong funding plan and commitment to Maryland's Transportation Trust Fund.

CAPITAL FORMATION

Biotechnology Investment Incentive Act

Recognize the critical need for increased access to capital for early-stage biotechnology companies. TCM strongly advocates that the Biotechnology Investment Incentive Act, which is funded on an annual basis, receive a \$12 million appropriation for FY2008. For FY2007, this program received \$6 million in funding. The General Assembly should also, when appropriate, consider changes to the existing statute including increasing the cap on the amount of tax credit available and imposing a three-year waiting period before receiving credit.

Research and Development Tax Credit

Increase the caps on the Maryland Research and Development Tax Credit (R&D tax credit). The R&D tax credit was first enacted in 2000 and since that time the overall cap of \$6 million per year has remained unchanged. TCM supports increasing the cap on the R&D tax credit to \$15 million per year, which can be accomplished via a three-year phase-in.

Department of Business and Economic Development

Increase funding for the DBED incentive programs at least 25%. In particular, it is important to competitively fund the following programs: (1) Maryland Venture Fund, which includes the Challenge and Enterprise Programs; (2) Maryland Economic Development Assistance Authority and Fund (MEDAAF); (3) Maryland Industrial Development Finance Authority (MIDFA); (4) Economic Development Opportunities Fund (Sunny Day Fund); and (5) Maryland Small Business Development Financing Authority (MSBDFFA).

State Pension Fund Investment

Join numerous other states that allocate a limited percentage of state pension fund dollars in private equity, including venture capital. TCM supports recommendations of the Governor's Commission on the Development of Advanced Technology Business (Pappas Commission) to increase from 2% to 4% the percentage of pension funds invested in private equity. As the percentage allocated to investment in private equity grows, one of every two dollars should be invested specifically in the private equity of Maryland-based technology and biotechnology companies.

Early Stage Companies

Examine the feasibility of creating programs that allow advanced technology companies increased access to capital. Ideas to study include a program that allows early stage companies to trade unused tax credits to profitable companies for cash. Another idea for study a program to allow early stage companies to trade net operating losses to profitable companies for cash.

INNOVATION

Stem Cell Research

Encourage growth in the strong commitment made in 2006 by increasing state funding to stem cell to \$25 million for FY2008. In order for Maryland to remain competitive in this industry and make medical breakthroughs, strong funding support is needed. A growing number of states are specifically targeting stem cell research as part of their strategy to start or grow technology businesses. Maryland must remain competitive, but more importantly, TCM wants potentially groundbreaking cures for debilitating diseases to happen in Maryland. The Maryland Technology Development Corporation (TEDCO), in conjunction with the Maryland Stem Cell Commission, administers the Maryland Stem Cell Research Fund (MSCRF). Funding for the MSCRF is embedded in TEDCO's annual State appropriation.

Incubators

Ensure that Maryland's incubators, where start-up business can acquire lab and office space at low costs, continue to have an opportunity to expand and prosper. In particular, a number of incubators in Maryland feature wet lab spaces that assist early stage bioscience companies. Without a strong incubator system, many early stage companies may fail that otherwise would have become profitable, thereby providing high paying jobs for Marylanders. Specifically, TCM urges policymakers to pass legislation that provides a tax exemption for property used as a business incubator if a state, county, municipal or public higher education institution controls the incubator. Also, TCM supports programs like TEDCO's Incubator Development Fund, which provides Capital funding for new and expanded incubator facilities and programmatic funding for intensive business assistance support to the existing incubators, as well as DBED's Maryland Industrial Development Financing Authority program that offer next stage incentives for companies ready to graduate from incubators.

Research Parks

Support the establishment of research parks in Maryland, including those associated with universities and colleges, including community colleges. Ensure research parks, particularly the Shady Grove Life Sciences Center, East Baltimore Life Science and Technology Park, East County Center for Science and Technology and Montgomery College Science and Technology Park, receive full support from the State of Maryland, local government, economic development organizations and their surrounding communities. Efforts such as these maximize opportunities for technology transfer and innovation between educational institutions and the private sector.

Maryland Technology Development Corporation

Support competitive funding and a strong role for TEDCO. TEDCO's role is to be Maryland's leading source of funding for early seed-stage capital and entrepreneurial business assistance for technology transfer and development programs. TEDCO's Maryland Technology Transfer Fund, University Technology Development Fund and federal lab focused technology transfer initiatives with Aberdeen Proving Ground, Fort Detrick and NAVAIR at Patuxent River are vital components for capital availability and technology transfer respectively. TCM also strongly supports TEDCO's invaluable technology commercialization programs.

Nano-biotechnology Research Initiative

Encourage continued support from policymakers for the Nano-biotechnology Research Initiative, a partnership between DBED and the University System of Maryland. Nanotechnology holds great economic development promise and provides Maryland with an opportunity to become a nationwide leader in this cutting edge technology sector.

Maryland Industrial Partnerships Program

Enhance the Maryland Industrial Partnerships (MIPS) program, which provides matching funds for university-based research projects that help companies develop new products. During the 2006 session, this program received its first ever budget increase. TCM urges that another funding increase be considered during the next two fiscal years.

INNOVATION (*continued*)

Strategic Plan for Economic Development

Urge the Governor and the Maryland Economic Development Commission, in collaboration with the TCM and other interested entities, to formulate a strategic plan for economic development. This plan should chart a course of action for the next five, ten years and beyond. A particular focus of any strategic plan should incorporate a vision and measurable goals for knowledge economy jobs. It is imperative that Maryland has a very clear vision of the future and a strategic plan to meet future goals and challenges.

Rural Broadband

Ensure that broadband access is available to rural communities in Maryland. Without fostering support for the last mile of high speed Internet access, some communities cannot enjoy the economic benefits that have been realized in more populated regions of Maryland. Technology companies cannot grow and be successful in rural areas without the most basic of tools like broadband access.

Prescription Drug Importation

Oppose any effort to circumvent U.S. Food and Drug Administration regulations regarding drug importation. Federal law prohibits any person other than the original manufacturer from importing a drug into the U.S. Most importantly, illegal importation schemes jeopardize the health of patients in Maryland through the potential exposure to unsafe drugs.

Prescription Drug Price Controls

Oppose any effort to impose price controls on prescription drugs. Price controls discourage investment in the discovery of new medicines and limit patient access to the newest, most innovative medicines available. An open and competitive marketplace is essential to bringing to the market medicines to improve human health and quality of life, as well as reducing the overall costs of health care.

Prescription Drug Safety and Counterfeit Drugs

Encourage policymakers to consider enhancements such as wholesaler licensing and pedigree requirements to protect the security of prescription drugs in the pharmaceutical distribution chain. Counterfeit drugs have entered the market in several states, which is dangerous for consumers because of the lack of U.S. Food and Drug Administration testing. Policies that discourage counterfeiting are necessary to ensure the integrity of the drug products and patient safety.

Biomedical Research

Support an environment in which Maryland companies performing biomedical research with life saving and life enhancing possibilities is allowed to flourish and expand. TCM opposes any changes to the current environment.

Clinical Trials

Ensure that there are no efforts by policymakers to regulate clinical trials at the state level. Changes to clinical trial regulations should be accomplished only on the federal level. State-level efforts create a disincentive for firms to include Maryland as a location for their trials. TCM seeks to ensure that there are no unnecessary competitive disadvantages for Maryland's research universities, clinical research organizations, hospitals and the biotechnology community at large.

TAX CLIMATE

Implications of Tax Proposals

Urge policymakers to consider consistency, fairness and long-term impact consistent with technology before proposing tax changes. Maryland's tax environment is competitive in a number of areas when compared to surrounding states and great care should be taken before introducing legislation that may harm Maryland's competitiveness. Tax climate is often an important consideration for companies considering relocation or expansion. TCM also supports any efforts to study the modernization needs of Maryland's tax system.

Excessive Reporting

Oppose excessive and unnecessary reporting requirements on both companies and the State and local governments regarding tax credits, exemptions or other economic development incentives.

Combined Reporting

Oppose efforts to required combined income tax reporting for unitary groups of companies. Changes that make Maryland's corporate tax laws less attractive to businesses may harm economic development efforts.

Throwback Rule

Oppose efforts to alter the apportionment of income of multistate corporations under Maryland's corporate income tax by applying a throwback rule in determining whether sales are in the state for purposes of the state's corporate income tax apportionment. Efforts like these make Maryland a less competitive environment to nurture and grow high tech companies.

Alternative Minimum Assessment Tax

Oppose enactment of a corporate tax on alternative minimum assessments, which are based on the gross receipts or gross profits of a corporation. TCM opposes changes that may harm Maryland's business climate.

Single Sales Factor

Urge policymakers to maintain the single factor apportionment formula for Maryland manufacturers, which taxes companies based on their sales in Maryland instead of apportioning taxes based on overall sales, payroll and property.

WORKFORCE

State Workforce Needs

Encourage efforts to create, attract and retain a highly educated and skilled workforce. Particularly in highly competitive technology-related fields, many technology employers report a number of unfilled jobs in this region. One of the biggest impediments to Maryland's continued growth of high technology businesses is lack of a qualified workforce to fill these high-paying jobs.

Minority and Women Entrepreneurship

Encourage more entrepreneurship from minority- and women-owned businesses in the area of technology innovation. This vast and often untapped talent pool should have access to more economic development financing tools necessary to compete in today's knowledge economy.

Information Technology Globalization

Support an efficient, fair and competitive information technology procurement policy. Maryland's businesses are part of a global economy and TCM recognizes that global competition is healthy for Maryland technology companies and workers. TCM encourages Maryland laws to recognize this fact and to maintain an environment where our companies can make appropriate business decisions.

HIGHER EDUCATION

Higher Education Funding

Support increased funding for Maryland's community colleges, the University System of Maryland (USM) and Maryland's independent colleges and universities. Necessary additions to educational infrastructure and capacity, especially in the fields of biotechnology and information technology, should receive priority. For example, TCM supports the Nano-Biotechnology Initiative for the USM, Montgomery College's Bioscience Education Center at the Germantown Campus and funding for the School of Nursing and Bioethics Institute at Johns Hopkins University.

Affordable Tuition

Ensure that higher education tuition costs are affordable to all families. Also, TCM supports assistance programs designed to ensure that students from all economic strata are able to attend college. From training tomorrow's technology workforce to discovering the latest scientific breakthroughs and successfully collaborating with industry, higher education plays a very significant role in the success of Maryland's technology businesses.

Eminent Researchers in Maryland

Encourage the creation of resources that can be used to attract well-known and successful researchers to Maryland colleges and universities. State funds, which must be matched dollar-for-dollar by the universities, could be used for building facilities, purchasing equipment and supporting research staff.

Technology Internships

Urge the development of a partnership between government, business and higher education to foster and fund internships for our college students in a full range of local technology and life science companies. This effort would: (1) provide funding and incentives for students in these key fields; (2) allow companies that are now too small to take on interns, to do so; and (3) improve curricula by introducing more real world work situations.

Create Competitive Edge Scholarships

Create, as recommended at the University of Maryland's Action Summit, a statewide "Competitive Edge Scholarship." Such a fund would provide scholarships for students entering science, math and engineering at the college level, with a "guaranteed job opportunity" upon graduation.

Student Loan Repayment Program

Urge the consideration of a student loan repayment program for graduates in areas of critical need to Maryland's workforce. Such students would have to live and work in Maryland in areas of critical need for a specified period of time.

TRANSPORTATION

Inter-County Connector

Expedite the construction of the Inter-County Connector while implementing the latest engineering technology available to mitigate environmental concerns in order to foster increased business-to-business access within Maryland. Technology companies in particular, which are heavily clustered in the Washington DC region, would benefit greatly from less congestion.

Transportation Trust Fund

Study and implement long-term solutions to address funding shortfalls in Maryland's Transportation Trust Fund (TTF). TCM supports innovative measures to increase funding of the TTF and supports allocating a portion of future budget surpluses to the TTF.

Mass Transit

Expand mass transit to help relieve traffic congestion in Maryland and surrounding region. TCM supports cost-effective mass transit solutions, including rapid transit buses, light rail, Maglev and metro rail. Increased access to mass transit will spur the development, retention and attraction of high-paying jobs in Maryland, particularly in the Washington, D.C. and Baltimore regions.



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