

May 24, 2011

The Honorable Susan Davis
1526 Longworth House Office Bldg
Washington, DC 20515

The Honorable Allyson Schwartz
1227 Longworth House Office Bldg
Washington, DC 20515

Dear Representatives Davis and Schwartz:

On behalf of the California Healthcare Institute (CHI), the public policy association representing California's statewide life sciences sector – research universities and institutes, biotechnology, pharmaceutical, medical device companies, and venture capital firms – I am writing to support your legislation, the Qualifying Therapeutic Discovery Project Tax Credit Extension Act of 2011.

California is home to more than 2,000 innovative biomedical companies responsible for breakthrough treatments, therapies and diagnostics that are improving and extending the lives of millions in the United States and around the world. This sector is also a key component of our state economy, employing 268,000 people and accounting for more than \$114 billion in annual revenues, \$15.4 billion in exports and \$19.4 billion in wages and salaries. Last year, California's biomedical innovators attracted \$2.6 billion in venture capital investment and \$3.2 billion in National Institutes of Health research funding.

Unfortunately, the recent economic slowdown and capital markets crisis has hit the biotechnology industry especially hard, resulting in many promising drug research programs being put on hold or cut all together, affecting jobs and, most important, the development of new medicines and treatments for patients in need.

In response, legislation was enacted, as part of the new healthcare reform law, to help ensure that these promising research and development efforts can continue. The provision, the Therapeutic Discovery Project Credit, created grants and credits, limited to companies with less than 250 employees, to encourage investment in new therapies. Specifically, the program allotted \$1 billion over FY2009 and FY2010 for investments that demonstrated potential to result in new therapies to treat areas of unmet medical needs or to prevent, detect or treat acute conditions, reduce long-term health costs in the United States, or significantly advance the goal of curing cancer within 30 years, and advance U.S. competitiveness and create and sustain high quality, high paying jobs in the country.

The provision was hugely successful. California-based firms alone were awarded with over \$280 million in grants and credits for projects targeting conditions and diseases such as cancer, spinal cord injury, tuberculosis, Parkinson's, hepatitis, diabetes and heart disease.

Recognizing the still uncertain economic conditions, and the successful impact of this new program, CHI has encouraged its extension in order to further bolster promising biotechnology R&D, innovation and, of course, job retention and creation. CHI is therefore very pleased to offer our support for your legislation that would extend the Therapeutic Discovery Project Credit for an additional 5 years and provide for an annual appropriation of \$1 billion for the grants and credits covered by the program.

Thank you for your leadership, and we look forward to working with you to see its enactment into law.

Sincerely,

A handwritten signature in black ink that reads "Todd E. Gillenwater". The signature is written in a cursive style with a large, prominent 'T' and 'G'.

Todd E. Gillenwater
Senior Vice President, Public Policy