

Testimony of Jenny Erdman
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Greater Kansas City Chamber of Commerce
Before the Commerce Committee of the Kansas Senate
8 a.m., Wednesday, February 14

Good morning Madame Chairperson and Mister Chairperson. My name is Jenny Erdman. I am the Director of Government Relations & Policy Development for the Greater Kansas City Chamber of Commerce. In this position, I provide staff support for The Chamber's role in the KC Animal Health Corridor initiative. I am here to testify today in support of SB 314.

The KC Animal Health Corridor is a relatively new initiative funded by Bayer Animal Health of Shawnee, Kansas. Three organizations, The Chamber, the Kansas City Area Development Council, and the Kansas City Area Life Sciences Institute, have aligned their resources to pursue the initiatives' mission to make the KC Animal Health Corridor the national center of the animal health industry. The KC Animal Health Corridor extends from Manhattan, Kansas to Columbia, Missouri, including St. Joseph, Missouri and the Greater Kansas City metropolitan area. Over 120 animal health and nutrition companies are located in the Corridor. We want to make these companies more successful, bring new animal health companies here, with a proportionate increase in jobs, and increase state and federally-funded animal health research.

The Chamber's role in the initiative is to improve the public policy environment to encourage animal health business development and expansion. I'd like to thank each of you for your vote in favor of SCR 1606, officially designating the KC Animal Health Corridor and declaring it to be the national center of the industry. This action will certainly raise the Corridor's national and, we hope, international profile. It sends a message to animal health companies located outside the Corridor that they need to come here to be at the epicenter of their industry.

I am here today to talk about SB 314, which provides for needed enhancements to the very successful Angel Investor Tax Credit program. With me today are two representatives of young Kansas biotech companies: Ed Stevens, Vice President of Felton International, a Lenexa-based animal and human health company, and Jim Laufenberg, President and CEO of Immunogenetix, a human health

pharmaceutical company. Both of these companies were able to use tax credits under the Angel Investor Tax Credit Program to raise seed capital. They are here to talk to you about how the program has helped them, and why they think the changes provided for in SB 314 are needed.

The Angel Investor Tax Credit Program has been a success. In 2006, KTEC authorized \$1.8 million in tax credits that were utilized by 17 companies. In talking with biotech start-up entrepreneurs, The Chamber has learned that these companies continue to need angel investor financing beyond the very early stages of their venture. Many biotech companies can take as long as 20 years to generate significant revenue, or close a venture capital deal, alleviating the need to continue raising money from angel investors. The current Angel Investor Tax Credit Program disqualifies businesses that have been in operation five years or more. I understand from talking with KTEC staff that a few bioscience companies currently participating in the program will soon be ineligible because they will reach this five year milestone. We don't want these companies to fail or leave the state to find capital to keep their venture alive.

The Chamber asks that you increase the time a *bioscience business* can be in operation and still qualify for the program to ten years. All non-biotech start-ups will still have to be in operation less than five years to qualify. As Ed and Jim will tell you, the nature of drug development requires a longer incubation period before a business is through raising money from angel investors.

Other changes in SB 314 are important as well. Obviously, The Chamber is supportive of the priority expressed in the bill for animal health companies. This sends a strong message to animal science entrepreneurs that they can come here to find the money they need to grow their businesses. Raising other tax credit caps in the program as outlined in SB 314 will help ensure there is adequate available capital for all commercially promising start up companies in Kansas. It's a great way to use state resources to encourage investors, who are the experts at identifying the best new companies, to keep their money in Kansas growing our bioscience economy.

Thank you for the opportunity to testify in favor of SB 314.