



Despite Court Wrangle, Ohio Officials Take Steps to Builds Life-Sci Industry in State

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By Alex Philippidis

DUBLIN, Ohio — Ohio officials, aiming to grow a biomedical industry in their state, late last week faced down a court lawsuit challenging the funding of a recently-enacted \$1.6 billion economic stimulus measure, approving a set of operating principles to spend \$100 million of the package on life sciences job attraction and tech commercialization efforts.

Thanks in part to the stimulus package Gov. Ted Strickland enacted earlier this year, the Ohio Third Frontier Commission on Oct. 23 agreed with an advisory board of life-sciences leaders that the state should spend roughly 60 percent of the life-sci money, or \$60 million, on economic subsidies designed to attract new biotechnology, pharmaceutical, and medical device companies to the state, and to retain existing companies in those sectors.

"We haven't settled how the dollars are going to be apportioned in any greater detail than that," Anthony Dennis, president and CEO of BioOhio, the state's life sciences industry group, said of the three-year measure. "We don't know exactly what portion is going to go into this, what portion is going to go into that."

The remaining roughly 40 percent would be used to help researchers develop and commercialize a wide array of life-sci tools, though what form that would take has also yet to be decided, Dennis said.

"We don't know exactly how that's going to occur," Dennis said. "There was an open discussion [at the commission's Oct. 23 meeting] as to whether or not these funds are going to be used as grants or loans, and we're not sure exactly how that's going to play out."

Dennis chairs the seven-member advisory board of life-sciences industry and academic leaders that developed the operating principles, essentially an outline for how the biomedical money will be spent. The panel's next task, he said, will be to refine the principles into a more concrete spending plan that would have to be approved by the Third Frontier commission. That group is chaired by Ohio Lt. Gov. Lee Fisher, who also heads the state Department of Economic Development.

The dual board setup gives Third Frontier fiduciary responsibility to avoid conflicts of interest between the companies and institutions represented on the advisory board — which are likely to also seek grants and loans from the stimulus plan.

"The reality is, \$100 million sounds like a lot. It's not a lot," Dennis said. "But the state has got a lot of other resources, depending what the content of the deal is. We consider [the stimulus plan funding] to be catalytic."

The Third Frontier commission's approval of the spending outline, borne in the face of an ongoing six-month lawsuit that threatens to torpedo the measure, is the latest action in ongoing efforts to realize the Governor's stimulus act.

Smoke Screen

Conferees Suggest Ideas for \$100M 'Biomedical' Stimulus Aid

During the BioOhio Annual Conference, held Oct. 21 in Dublin, more than a dozen attendees presented ideas for spending some of the \$100 million available through the stimulus plan to the Third Frontier Commission's executive director Norman Chagnon, and Anthony Dennis, the president and CEO of the state's life sciences industry group BioOhio.

Among those suggestions:

- Mark Low, managing director of the Global Cardiovascular Innovation Center, a \$250 million tech commercialization consortium led by Cleveland Clinic and funded in part through a \$60 million Third Frontier grant, said the state should pay out finder fees for academic researchers who identify companies and partners interested in carrying out more research work in Ohio.
- Paul Cohn, vice president and regional director for the Ohio Capital Fund, a state-created fund that invests in other venture funds to increase the state's supply of venture capital, said the state should use the Global Cardiovascular Innovation Center as a model for commercializing other technologies beyond bioimaging, in and outside the life sciences. "If you did something like that, it could be a way to build the other sectors."

At issue in the suit, filed by the Washington-based American Legacy Foundation in the Franklin County Common Pleas Court, is whether the state can use funds it received under the 1998 tobacco settlement lawsuit for purposes beyond funding anti-smoking efforts — in this case, job attraction and commercialization for the life sciences and other high-tech industries.

The state wants to use a \$230 million of the \$1.34 billion it received this year in tobacco settlement money to fund the act, which Strickland signed into law June 12 [BRN, July 14]. That proposal has angered the Ohio Tobacco Prevention Foundation, which instead wants the state to use all of the \$1.34 billion toward tobacco-prevention programs. Strickland responded by moving to abolish the foundation.

Siding with the Ohio tobacco group, the American Legacy Foundation sued Ohio and is seeking to block the state Treasurer Richard Coudray from shifting any of the state's total \$270 million tobacco windfall to the stimulus act.

Franklin County Common Pleas Court Judge David Fais froze the money soon after the suit was filed in April. Two months later, he allowed \$10 million of it to be used for existing anti-smoking programs.

The court is expected to issue a ruling on the case by the end of year.

The tobacco foundation wants Ohio to raise its current cigarette tax, which now stands at \$1.25 per pack; Cuyahoga County, which includes Cleveland, tacks on an additional 34.5 cents per pack. As of Oct. 15, according to data by the anti-smoking group Campaign for Tobacco-Free Kids, 12 states and the District of Columbia charge \$2 or more in taxes per cigarette pack.

According to the foundation, if Ohio follows suit and raises taxes on other tobacco products, the state could generate \$390.8 million in the first year alone.

Ohio is one of several US states that have used tobacco-settlement funds to subsidize government or public-private programs aimed at boosting their life-sciences industries.

Two examples: Pennsylvania used tobacco money to launch its three Life Sciences Greenhouses, one each in Philadelphia, Pittsburgh, and the state capital of Harrisburg.

And in 1999 Michigan, under then-governor John Engler, a Republican, set aside one quarter of its tobacco funds to the \$1 billion Michigan Life Sciences Corridor, a research funding program supplanted by the \$2 billion 21st Century Jobs Fund launched by his Democratic successor, current Gov. Jennifer Granholm.

Strickland, a Democrat who took office in 2007, has directed state government to continue implementing the stimulus measure, which his administration considers a centerpiece of its effort to begin reversing eight years of job losses blamed on the financial market upheaval and the continued shrinking of the state's manufacturing industry.

According to data from Ohio's Department of Job and Family Services, available here, the state lost a total 17,500 jobs during the 12 months ending last month, bringing the state's total non-farm employment to 5.4 million people. Ohio also contributed to an unemployment rate that rose 1.5 percentage points, from 5.7 to 7.2 percent. Over the past year, 93,000 Ohio workers lost their jobs, swelling the state's unemployment rolls to 434,000 people.

The stimulus measure, officially known as House Bill 554, is intended to generate a total 57,000 jobs over the next five years in a number of industries deemed by the state to be fast-growing. In addition to spending \$100 million over three years in life-sciences jobs, the law sets aside \$50 million over three years to create "bioproducts" jobs by re-educating farmers.

In addition to the biomedical and bioproducts spending, the stimulus package calls for the state to spend \$200 million on its Clean Ohio Revitalization initiative in order to clean polluted urban properties or "brownfields," and another \$200 million in Clean Ohio Conservation, which aims to preserve farmland and green space — but only if state voters approve extending the life of the Clean Ohio program in a Nov. 4 referendum.

- Rathindra Bose, vice president for research and creative activity at Ohio University and dean of its graduate college, joined Powell, Ohio, health/ technology blogger Jody Dzurainin and several other speakers in saying that the state should share more information online. Bose suggested a single database showing all patents held by all Ohio institutions, and available through BioOhio's web site; Dzurainin, a network to share success stories and best practices.
- Robert McKenney, director of imaging research and administrative services for the Ohio State University Medical Center's Wright Center of Innovation in Biomedical Imaging, said recipients of Third Frontier funding should provide real-time updates at a central web site, as part of a broader strategy of sharing successes that include the amount of federal grant funding obtained by Ohio institutions through the National Institutes of Health.
- Todd Davies, business development manager for the Toledo, Ohio-based public-private venture capital fund Rocket Ventures, said Third Frontier should include funding to draw more life sciences CEOs and top-level executives to Ohio: "The biggest problem we have in northwest Ohio right now is, we have plenty of technology coming out of the universities. We can form a management team around the technology and around the scientists. But we have a lack of business knowledge to attract CEOs and top-level executives to put around that technology."

"I have a pool of people who are in New York and Boston, and California that are UT grads," Davies said. "But they can't afford to not get paid for 18 months while the startup develops. A pool of money to be able to attract the top management would be very, very useful."

"[W]e want to provide a career that's rewarding, and

Also in the stimulus plan is \$400 million for public works infrastructure projects such as roads, bridges, and sewer and water systems; \$250 million to create a new five-year student internship and co-operative education program intended to keep the state's smartest students from moving out of the state; \$150 million for solar, wind and other renewable forms of energy; \$120 million in historic preservation tax credits; and \$100 million for logistics and distribution businesses. The \$250 million Higher Education Workforce Initiative — to be coordinated by the

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Ohio Board of Regents — was also a topic of discussion at the BioOhio conference. The initiative is designed to retain 230,000 students in the state over a 10-year period, placing them in internships and co-op programs, then ensuring they are trained for jobs in the life sciences and other industries targeted by the state.

"We see this, to use a baseball metaphor, as the farm team for our workforce," said Patrick McLean, who recently joined the Regents to oversee the program as its new associate vice chancellor for affordability and efficiency. "We're going to emphasize funds going in the direction of the infrastructure at the institutions themselves — everything from curriculum development, to

assessment program results, to employer relationships — both developing those relationships and retaining those relationships long-term. Primarily, that's where the dollars are going to go."

Two members of McLean's panel on the workforce initiative are among those eager to tap into the new farm team. Terry Marovich, human resource manager with Diagnostic Hybrids, said the Athens, Ohio-based biomanufacturer hires people with educational backgrounds ranging from high school diploma graduates, associate degree, to bachelor's degree, and PhD scientists.

Marovich's \$30 million-a-year, 200-employee company makes cellular and molecular diagnostic kits that detect a variety of respiratory ailments, herpes infections, thyroid function, and other diseases.

"Our key talent is at every level," said Marovich, a member of Strickland's Workforce Policy Board. "Being based in southeast Ohio, we have to convince people to come to work for us when we're looking for key talent. More important, we want to take our farm team, and we want to grow that, and we want to provide a career that's rewarding, and we want to continue to provide jobs that provide sustainable wages and benefits. That's critical."

Marovich emphasized the importance of teaming up with schools to create education programs tailored to life-sci graduates. Among examples she cited was Diagnostic Hybrids, which teamed with Hocking College in Nelsonville, Ohio, to launch a two-year associates' degree program in biotech, in part after traveling to North Carolina to learn about similar programs in that state. Diagnostics Hybrid hired the first associates' degree student developed through the program to an entry-level job in the company's R&D department.

John Gajewski, executive director of workforce and economic development at Cuyahoga Community College in Cleveland, said his school's almost year-old Bioscience Workforce Training and Assessment Center serves displaced workers as well as those seeking to upgrade their skills.

Gajewski said he began working to launch the center — the first of its kind in the state — shortly after he joined the community college, when he attended a panel discussion in which life-sciences professionals called for more efforts to develop a workforce for their industry in Ohio.

"We undertook a study of Northeast Ohio, reached out to the bioscience community," Gajewski recalled. "The industry told us what they expected and what they wanted for production and quality control workers."

He said Cuyahoga, also nicknamed "Tri-C," hopes to help solve a problem that has long vexed the industry in Cleveland and the rest of Northeast Ohio: How to develop graduates capable of carrying out the roughly 1,500 jobs annually that go unfilled in a region where more than 20,000 people hold life-sciences jobs. The region accounts for about half the number of life-sci companies based in Ohio.

The school's answer is the bioscience workforce center, located at Tri-C's Unified Technologies Center, for which Cuyahoga won a \$447,000 grant in December 2007 from the Ohio Board of Regents. The center began its first program last month in pharmaceutical manufacturing, and will also focus on electronics for medical devices, machines, and regulatory training.

"The first class is underway. It's roughly 106 young trainees. Two more classes start in the month of November, and we hope all our graduates are successfully placed in the pharmaceutical industry in the greater Cleveland area," Gajewski said.

Bill Tacon, BioOhio's senior director of workforce and education, said the bio training center developed by Tri-C could serve as a statewide model given the relationships it has built with Cuyahoga life-sci companies, such as Ben Venue Laboratories, a Bedford, Ohio, contract manufacturer of liquid and lyophilized sterile products.

"What John has implemented in Northeast Ohio, that process needs to be duplicated across the state," Tacon said. He's providing a regional solution."

For Ben Venue, a subsidiary of German pharmaceutical giant Boehringer Ingelheim, the center can help fill jobs being created through expansion. The company earlier this year completed a \$17 million, 90,000-square-foot addition to its headquarters campus, allowing it to add 50 new jobs to its Bedford workforce, now at 1,163 employees, as well as shift 200 workers from other functions.

In return, Ben Venue received a \$200,000 Business Development grant from the state Department of Development toward construction costs.

"We wouldn't have be able to grow as fast, and we probably would have been sitting on each others' shoulders" without the addition, Thomas Murphy, Ben Venue's president and chief operating officer, told *BRN* last week.