



81st Legislative Session End of Session Summary

The 81st Session of the Texas Legislature convened with a change in House leadership, changes in Chairmanships, an influx of federal stimulus money, and a budget to balance in a difficult economic time. Texas is estimated to receive a total of over \$16 billion in federal stimulus funds which helped the budget-writing committees in both chambers balance a budget that otherwise would have faced significant cuts. Many states faced large budget deficits this session, and while Texas was one of only about six states not facing a deficit, there were still significant challenges facing the state at the start of the session. Texas was sitting on an \$11 billion surplus in December of 2008, however, expenses incurred from Hurricane Ike, increased Medicaid enrollment, lower-than-projected business tax revenue, and constitutionally-dedicated dollars to property tax relief and the Rainy Day Fund left the state with virtually no additional surplus dollars to provide a cushion for the next biennium's budget. Additionally, the Legislature filed an unprecedented amount of legislation, with many bills filed affecting the life science industry in the state. The House and Senate jointly had filed a total of 7,144 bills by the 60th day of the legislative session, a full 1,223 (21%) more than in the previous session. By session's end, the Legislature had filed a total of 7,419 statewide and local impact bills and almost 200 joint resolutions. The whirlwind session concluded with the passage of a \$182.3 billion budget.

The Texas Healthcare and Bioscience Institute (THBI) began the session at full speed with another ambitious agenda including 18 specific issues over seven different categories. The THBI State and Federal Government Relations Committee began meeting the previous August working to develop the priorities for the Institute for this legislative session. The THBI priorities were created from issues seen in Texas in past legislative sessions, policies seen trending through other states across the United States, and those which had developed out of the previous session's interim hearings. These priorities were proposed with the understanding that there would emerge issues that THBI would need to engage upon that perhaps were not part of the original priorities list. The State and Federal Government Relations Committee continued to meet throughout the fall and then met every other week during the session to monitor the progress of these priorities and discuss strategy on how to approach each issue as it evolved. In April, the Committee began meeting weekly to provide rapid updates coinciding with the increasing pace of the session. THBI tracked legislation throughout the session in 9 different categories including:

1. Economic Development, Budget, and Tax
2. Agriculture and Biofuels
3. Stem Cells and Cloning
4. Medical Device
5. Pharmaceutical and Biotech



6. Higher Education
7. General Healthcare and Uninsured
8. Tort Reform
9. Ethics and Regulatory

The increased amount of bills filed and the increased percentage of those bills affecting the life science industry resulted in THBI tracking over 750 bills. This is an increase of more than 2.5 times the amount of legislation tracked in previous sessions. In tracking legislation, THBI sent out weekly updates on the progress of these bills. Included in the tracking charts was a summary of each bill which was updated upon amendment or substitution. Additionally, THBI and THBI-secured experts provided 17 testimonies during the session. THBI dropped over 13 witness cards supporting or opposing legislation. It is almost impossible to tally the number of office visits, position papers, and interactions THBI utilized over the session, however many of the papers generated by the Institute throughout the session received wide distribution both within the Texas Legislature, and throughout the life sciences industry.

NOTE: The Governor's veto period has passed. He vetoed a total of 38 bills and resolutions and signed into law 783 bills and resolutions. The remaining pieces of legislation which passed will become law without his signature.

THBI 2009 Activities to Date

The Texas Healthcare and Bioscience Institute finished up an extremely difficult and time-consuming legislative session, however THBI also hosted, planned, and participated in a number of activities since the first of the year as well. Detailed below are many of the activities created by THBI to provide value to our broadly diverse membership.

Diabetes Roundtable

THBI began, prior to the session's start, a Roundtable Series with the intention of continuing it over the interim. The Roundtable Series is designed to bring in guest speakers at legislative staff-attended lunches to discuss specific disease states affecting the health and wellness of Texans. The first Roundtable Series lunch was held in December and focused on diabetes. THBI hosted close to 50 legislative staff for a catered lunch to hear Dr. Victor Gonzalez, the current chair of the Texas Diabetes Council, discuss the Council's State Plan and Legislative Recommendations for the session. Additionally, Dr. Karl Eschbach, the state's demographer, provided attendees with statistics about the prevalence and forecasted increase in the number of Texans living with diabetes.



Coffees at the Capitol

One activity started during the 2007 session by THBI and which resumed with the start of the 2009 Legislative session, was the Coffee at the Capitol series. This series brought together, in a small intimate and informal setting, key members of the legislature and their staff with THBI members. Designed to facilitate both introductions to the industry, THBI members, and the priorities of the life sciences with regards to policy, these Coffees also gave legislators an opportunity to discuss their legislative priorities while gaining a greater understanding of the large role life sciences and biotechnology play in Texas. Coffees included legislators and key staff such as: Representative Brian McCall, Representative Mark Shelton, Representative Patrick Rose, Representative Vicki Truitt, Senator Leticia Van de Putte, and Don Green, the Lt. Governor's Director of Intergovernmental Relations.

Monthly President's Calls

Tom Kowalski, THBI President, hosted a new series this legislative session called the President's call. The calls were held on the third Friday of each month at 10:00AM and were open to all THBI members. Guest speakers such as: Gillian Mullins of BIO, consultant Harry Holmes, and Alan Kirchhoff provided expert information on matters relating to economic development, federal and state policy, and the American Reinvestment and Recovery Act. Additionally, Tom and Amber Pearce, THBI's Policy Director, provided updates on the progression of legislation, calls to action to THBI members, and upcoming events. The President's Calls will continue throughout the interim as the focus now becomes Healthcare Reform and other burgeoning federal policy decisions.

Stem Cell Educational Lunch

In an ongoing effort to educate Legislators and legislative staff on the advancements, science, and policies regarding stem cell research, THBI again co-hosted an educational stem cell briefing in January of 2009. Additional hosts of the event included: the American Diabetes Association, HADASSAH, the National Multiple Sclerosis Society's Lone Star Chapter, Texans for Stem Cell Research, the Texas Medical Association, Parkinson's Action Network, and The Alliance for Medical Research. Speakers at the event included: Dr. Bettie Sue Masters, Dr. Bernard Weinstein, and Patrick Kelly. Representative Beverly Woolley gave opening remarks and Representative Mark Homer served as the emcee throughout the lunch and question and answer period. Over 150 staff attended the catered lunch and stayed for close to two hours for the presentations.

Texas Technology Week

Texas Technology Week 2009 was held the week of February 16th through the 20th. The week included a full agenda of economic development discussions, a policy conference, legislator interaction, and opportunities to profile the Texas life science industry. THBI again partnered with a host of other industry trade associations, including: TechAmerica, TechNet, The



Metroplex Technology Business Council, The Solar Alliance, the Texas Coalition for Capital, and the Texas Association of Business for a legislative reception and legislative breakfast. Additionally, Senator Florence Shapiro and Representative Brian McCall introduced and read Senate Resolution 221 and House Resolution 463 respectively in both the Senate and the House to commemorate the week as Texas Technology Week.

BizBio – The second annual Texas Biz Bio Conference was held during Tech Week on February 17 at the Omni Hotel in Austin. The conference, titled **The Texas Life Science Industry: Competing in a Global Economy**, was hosted by THBI, the Pharmaceutical Research and Manufacturers of America (PhRMA), the Biotechnology Industry Association (BIO), the National Venture Capital Association, and the U.S. Chamber of Commerce. Additional partners included: the Texas Association of Business, the Texas Life-Sciences Collaboration Center, the Texas Life Science Foundation, the Dallas Regional Chamber of Commerce Technology Business Council, the Greater Austin Chamber of Commerce, the El Paso Regional Economic Development Corporation, Harrington Regional Medical Center, Temple Health and BioScience District, Bio Austin, BioMed SA, BioHouston, BioDFW, and Research Valley. Close to 150 attendees heard addresses from THBI Chairman David Margrave, Dr. David Rosen of Pfizer, and Richard Seline, CEO and Principle of New Economy Strategies. Two panels provided discussion on state and federal issues facing the Texas life science industry and the industry's future in the state. Moderators Bill Hammond, President of the Texas Association of Business, and THBI President Tom Kowalski, led the discussions while composition of the panels included: Patrick Kelly, VP of State and Government Relations for BIO; Lori M. Reilly, VP for Policy and Research for PhRMA; Katie Strong, Executive Director of Congressional and Public Affairs at the U.S. Chamber of Commerce; Mark Ellison, Associate Vice Chancellor for Economic Development at the Texas A&M University System; Alan Kirchhoff, Emerging Technology Fund Division Director in the Governor's Office; Kevin LaLande, Sante Ventures Managing Director; Dennis McWilliams, CEO and Founder of Apollo Endosurgery, Inc.; and Scott Sanders, an Oversight Committee Member of the Cancer Prevention and Research Institute of Texas. Governor Rick Perry concluded the conference in his comments emphasizing the need to continue to nurture and support the life science industry in the state.

Tech Week Reception – Immediately following the BizBio Conference, THBI rejoined other Tech Week hosts in holding a legislative reception in the Omni Hotel celebrating Texas Technology Week. The well-attended reception included exhibits and demonstrations from various technology and life science-related companies, and provided multiple industries the opportunity to highlight the great potential of emerging research and commercialization efforts in Texas.

Tech Week Breakfast – THBI and the other Tech Week hosts held a Legislative Breakfast on the morning of February 18, at the auditorium of the Texas Medical Association Building. Over



100 participants listened to short statements by Emerging Technology Fund sponsor, Senator Florence Shapiro; House Workforce, Technology, and Economic Development Committee Chairman Mark Strama; and Committee Vice Chair Tan Parker.

THBI Fly-In – During Tech Week, THBI members participated in a legislative fly-in, walking the halls of the Texas Capitol to speak with Legislators and legislative staff about key priority pieces of legislation for the life science industry as well as the industry development in their respective regions throughout the state. In total, THBI members made over 35 office visits and left behind materials listing issue priorities. The priorities discussed during these visits included:

- 1. Research** - The need for increased research funding at Texas' Health-Related Institutions;
- 2. Development** - A request to pass SB 39/HB390/HB2005, the clinical trials legislation;
- 3. Commercialization** – A request to pass SB 783/HB 3789, the Emerging Technology Fund cleanup legislation and to fully fund the ETF for a 3rd generation round; and
- 4. Manufacturing** - A request to pass SB 1444/HB 1996, the R&D Sales Tax Exemption.

Fly-in participants additionally discussed the need for the Legislature to authorize funding for the Cancer Prevention and Research Institute, and the potentially disastrous effects the passage of sales and marketing legislation could have on the growing life science industry in the state. THBI members did a fantastic job of speaking to the priorities of the industry and highlighting how strong the life sciences are in Texas.

THBI Luminary Dinner

The Texas Healthcare and Bioscience Institute hosted its second annual Luminary Dinner and honored Lt. Governor David Dewhurst as the 2009 THBI Luminary Award recipient. The March 4 event boasted a lengthy list of over 50 Legislators serving as honorary hosts. Cancer Prevention and Research Institute Chairman, James Mansour, introduced the Lt. Governor to a full room of attendees at the Four Seasons Hotel in Austin. After his keynote address, the 2009 Luminary Award was presented to Governor Dewhurst by THBI Board Members Don Stevens, Western Director of State Government Affairs for Novartis Pharmaceuticals, and Richard Ponder, Director of State Government Affairs for Johnson and Johnson Services Inc.

Legislative Staff Reception

THBI held a reception for legislative staff on Thursday, March 26. The reception provided an opportunity for THBI members to interact with legislative staff in an informal environment away from the Texas Capitol. The reception was the last real opportunity for staff and government affairs employees alike to escape from the legislative grind for a few hours in the afternoon before the pace of committee hearings and floor debate over legislation usurped the daylight hours. The reception was held on the outdoor patio at Cuatro's in Austin.



Texas Life Sciences Industry Report

During the final weeks of the legislative session, THBI unveiled the latest report on the economic impact of the Texas life science industry on the state's economy. New numbers indicate that the life sciences in Texas support 236,000 jobs and a \$31 billion payroll. Of those employment numbers, more than 71,000 are direct jobs in the industry, with average annual salaries close to \$70,000 in 2007. These annual salaries are a full 55% higher than average annual salaries in the rest of the Texas economy. Additionally, the industry generates an economic impact of \$75 billion. The news on the life science industry in Texas is great, and the full report is available on the THBI website at: www.thbi.com.

BIO 2009 in Atlanta, Georgia

The 2009 BIO International Convention, produced by the Biotechnology Industry Organization (BIO) hosted 14,352 industry leaders from 58 countries and 48 states. The event was held May 18 – 21, 2009 and took place at the Georgia World Congress Center in Atlanta, Georgia. Industry leaders representing 1800 companies participated in 14,040 one-on-one partnering meetings during the four-day event. Additionally, 190 companies presented as part of the Business Forum.

THBI again managed the pavilion representing Texas for the Governor's Office. The 2009 BioTexas Pavilion exhibited "Texas-style" under the theme "3 Billion Reasons to Come to Texas", which referenced the \$3 Billion Cancer Fund. The BioTexas Pavilion consisted of three university systems, four Texas companies, 21 economic development communities focusing on the Texas life science industry cluster, and 16 researchers/academicians. At the BioTexas Pavilion, 51 strategic presentations were given by the state's foremost experts in the Texas life science industry.

On Wednesday, May 20th, the BioTexas Pavilion hosted a "Texas-sized Happy Hour" which included Lone Star Beer and chips and salsa from Two Hot Mamas, an Austin-based company to an overflow crowd of enthusiastic show attendees wanting to learn more about the state and its research and business opportunities. We were also graced with a visit from the Honorable Jim Greenwood, President and CEO of the Biotechnology Industry Organization during this event. David Cabrales, General Counsel to the Governor of Texas was at the show and was able to meet with Mr. Greenwood.

The BIO International Convention is the world's largest for the biotech industry. The 2010 BIO International Convention will be held May 3-5, 2010 in Chicago, Illinois. For more information on participation in the BioTexas Pavilion, please contact Carolyn Skinner at 512-708-8424 or carolyn@thbi.com. To view a list of participants and photos of the event, please go to www.thbi.com.



The following report on the 81st Legislative Session provides a snapshot of some of the issues of importance to THBI members. It is by no means a total compilation of the session's legislative actions, however attempts to focus on some of the key points for the life science industry whose passage or failure is critical to the continued growth, development, sustainability, and potential of the life sciences in Texas.

The 2010-2011 Budget

In total, there were three bills whose passage created a balanced budget for the state: Senate Bill 1, the majority of the budget; HB 4586, a supplemental and emergency appropriations bill; and HB 4583, a bill which reconciles, abolishes, and recreates the accounts and funds put in place by the 81st Texas Legislature in part to help manage the intake of federal stimulus dollars. The Texas Legislature passed a budget of \$182.3 billion for the 2010-2011 biennium. This is a 7.4% increase over the last biennium's budget, and includes over \$12.1 billion in federal stimulus dollars from the American Recovery and Reinvestment Act (ARRA). The Senate passed the budget on a vote of 31 ayes and 0 nays, and the House passed the budget on a vote of 142 ayes and no nays, with almost no debate. Both the Chairman of House Appropriations and the Chairman of the Senate Finance Committee acknowledged that the conference committee working out the details between the House and Senate's version of the budget was the "most harmonious and easiest" budget conference committee either had ever been part of. The Supplemental Appropriations Bill, HB 4586 contains over \$2.3 billion in federal stimulus money as well. It is estimated that Texas is to receive around \$16 billion in federal stimulus funding from the American Recovery and Reinvestment Act, however not all of it would come directly to the state through the budgeting process. These appropriations and budget bills include over \$14 billion of that ARRA money however.

The Governor signed the budget into law on June 19, 2009, and used his line item veto authority to remove items totaling \$97.2 million in general revenue and \$288.9 million from all funding sources. These items for the majority consisted of appropriations contingent on the passage of legislation that ultimately was not passed or which the Governor chose to veto.

Legislative appropriations of interest contained in the budget include money affecting the Cancer Research and Prevention Institute of Texas, the Texas Emerging Technology Fund, the Texas Enterprise Fund, and numerous Health and Human Services and Higher Education items of interest to THBI members. These appropriations are detailed further on in this report.



Research

Research Enhancement Formula Funding - The first item on the push cards left behind with legislators during the THBI Tech Week Fly-in lists a priority of increasing the funding formulas for research at health-related institutions in the state. During 2008 and 2009, Health-Related Institutions received 20% of their appropriations through funding formulas. One of these is a Research Enhancement Formula which provides a base amount for research. Institutions then can receive an additional amount based on their research expenditures multiplied by the formula rate. In the 2000-2001 biennium, the first of this funding formula system, the research enhancement formula rate was 2.85%; in the 2008-2009 biennium, the rate was 1.5%. Texas' Health-Related Institutions have faced a decline in the state dollars allotted to them for research at the same time they are experiencing a significant growth in enrollment. Prior to the start of the session, the Higher Education Coordinating Board recommended increasing the funding formulas for Health-Related Institutions by returning them to the 2000-2001 biennium budget over the course of two legislative budget cycles, increasing the Research Enhancement Formula rate to 2.19% for 2008-2009 and to 2.85% in 2010-2011. Additionally the Board recommended further increases in the future to account for inflation. The 2010-2011 budget passed by the Texas Legislature provides for a formula rate of 1.48%.

Funding the research conducted at Texas' Health-Related Institutions is vital to discovering the causes of diseases and conditions, and critical for the successful development of cures, therapies, and devices. In order to continue to discover and cultivate the research leading to breakthroughs in medical innovation, Texas must make a commitment to fully fund these health-related institutions, enabling them to attract and retain the brightest minds and highest quality research capacity. While the passage of such policies as the Emerging Technology Fund and the Cancer Prevention and Research Institute of Texas has put Texas on the map from a research and commercialization standpoint, they should not be used as alternatives to fully funding Health-Related Institutions. Rather, the state should commit to supporting innovative and monumental programs such as ETF and CPRIT in addition to providing full and adequate research funding formulas.

Cancer Prevention and Research Institute of Texas (CPRIT)– Voters in 2007 approved the authority of the Texas Legislature to sell up to \$600 million in general obligation bonds each biennium to fund cancer research and prevention proposals. This is the first biennium of a ten year commitment that will ultimately provide up to \$3 billion. Legislators are still required to authorize the issuance of the bonds and must provide in the budget enough funding to service the debt of those bonds each legislative session. Those legislators writing and shepherding the budget through the legislative process had to balance the debt service of bonds from multiple agencies and in a tight economic year, prioritize and distribute the allocation of bonds so that funding was not detrimental to essential services, while at the same time, fulfilling the mandate



from the voters to fund cancer prevention and research activities. The 81st Legislature ultimately approved the issuance of \$450 million in general obligation bonds for the 2010-2011 biennium, and allocated enough funds in the budget bill to service that debt. Given that it will take some time to implement the grant approval process and for the Institute to hire staff and become fully operational, legislators felt that \$450 million was an appropriate amount feasible for the Institute to distribute within their first biennium in operation.

Additionally, Senator Jane Nelson filed Senate Bill 895 and Representative Jim Keffer filed House Bill 1358, which is a follow-up bill to the enabling legislation for CPRIT and provides some tweaks to the Institute's structure and operations. House Bill 1358 allows the Executive Director to appoint experts in cancer research and prevention to the Scientific Research and Prevention Programs Committee, allows members of that committee to receive an honorarium, and establishes the terms of the committee as four years. Additionally, HB 1358 removes a conflict of interest, as determined by the Texas Attorney General in the original legislation, by creating a separate University Advisory Committee to offer suggestions to the Oversight Committee instead of reviewing proposals. The Oversight Committee is required to create an ad hoc committee of experts to address childhood cancers, and is allowed to create additional ad hoc committees as necessary. HB 1358 establishes requirements concerning conflicts of interest whereby members of the Research and Prevention Programs Committee, of the University Advisory Committee, or of any appointed ad hoc advisory committee must disclose in writing to the Executive Director any potential conflicts of interest, financial or otherwise, in matters coming before their respective committee. The bill prohibits expenditures of more than five percent of awarded money on indirect costs, and it prohibits the use of more than five percent of awarded money on facility purchase, construction, remodel, or renovation projects. The bill also makes changes to the recommendation procedure, grant award procedures, grant evaluations, and what constitutes public information. House Bill 1358 was passed by the Texas Legislature and was signed by Governor Perry on June 19, 2009.

Tier One Status for Emerging Research Universities – House Bill 51 by Representative Dan Branch was signed into law on June 17 by Governor Rick Perry. The bill establishes a process by which emerging research universities can enhance their capabilities and become eligible for additional state dollars for research and supplement their base formula funding to help propel them towards Tier One status. The University of Texas at Austin, Texas A&M University, and Rice University are currently recognized as the only Tier One institutions in Texas. House Bill 51 creates two funds and an incentive research program to create additional national research universities in Texas. There are seven institutions recognized under the Higher Education Coordinating Board's Institutional Groupings as emerging research universities who are eligible under HB 51 to apply for funding: Texas Tech University, the University of Texas at Arlington, the University of Texas at Dallas, the University of Texas at El Paso, the University of Texas at San Antonio, the University of Houston, and the University of North Texas.



House Bill 51 requires emerging research universities to develop a long-term strategic plan documenting how they each intend to achieve recognition as a research university of the highest caliber. The legislation establishes:

1. The Research University Development Fund - Provides funding to emerging research universities for faculty recruitment and retention and enhancing research productivity. The Research University Development Fund allocates \$126 million over two years through a formula based on the average annual amount of research funds expended by the individual institutions. This fund is open to all academic institutions.
2. The National Research University Fund - Establishes a dedicated, independent, and equitable source of funding to enable emerging research universities in Texas to achieve national prominence as major research universities. This particular fund allows emerging research universities designated by the Higher Education Coordinating Board's accountability system to receive a distribution from the Fund if they meet certain criteria. Money would be transferred to this Fund from the Higher Education Fund. Voters will have an opportunity to approve this transfer as a constitutional amendment (SJR 35 passed as an amendment to HJR 14 which contains numerous subjects). This fund is only available to general academic teaching institutions.
3. Performance Incentive Funding – Requires the Higher Education Coordinating Board to distribute any performance incentive funds appropriated by the Legislature to eligible institutions as follows: 50% based on the increase in average number of degrees in past two years under a weighted system, and 50% in proportion to the average degrees in past three years under a weighted system. Weights are assigned based on at-risk, not at-risk, critical field, and noncritical field categories. The Legislature approved \$80 million over 2010 and 2011 for performance incentive funding. Only general academic teaching institutions are eligible for this funding.
4. Texas Research Incentive Program (TRIP) – Program will provide matching funds to assist institutions in leveraging private gifts to enhance research productivity and faculty recruitment. The Program establishes benchmarks to provide additional funding based on the amount of private gifts and endowments received by the institution. Only those institutions designated as emerging research universities by the Higher Education Coordinating Board's accountability system are eligible to participate in TRIP.

Legislation Not Passing – Senator Eliot Shapleigh filed two pieces of legislation, which did not pass, to increase reporting requirements of institutions of higher education with regard to research and reports paid for by private industry prepared by those institutions. Senate Bill 1524 would have required each higher education institution to report to the Higher Education Coordinating Board, the amount of money received by the institution, its faculty, and any of its staff members from pharmaceutical companies in the preceding two years in connection to research or related activities conducted at a research facility. Senate Bill 1603 was broader in



scope and would have required higher education institutions receiving private money to conduct research, analysis, surveys, or other work to report that work and provide a statement of the receipt of payment, the identity of the payer, and the amount of the payment received. While THBI is fully supportive of having transparency within the spending of public funds at the state's higher education institutions, there were concerns about the extra burden on institutions to compile and report this information in yet another different way, the purpose and use of the reported information, and the necessity to protect the security and proprietary components of collaborations between public and private entities.

Stem Cell Research - Each session issues around embryonic stem cell research are addressed by Texas legislators, however they seem at an impasse as to how to approach them. A number of legislators feel that Texas should not implement any type of ban on the use of human embryonic stem cells in research, while others feel that research should not be performed on these cells and the state should implement policies to prohibit it. Still other legislators fall in between these two positions stating that while research on human embryonic stem cells should not be banned, the research should more stringently be regulated, or they feel that while the research should continue, taxpayer and state dollars should not be used to support it. This session was no exception, and possibly provided the most public and private debate about the state's approach to human embryonic stem cell research. Multiple pieces of stand-alone legislation were filed such as HB 543 by Representative Richard Raymond/SB 1802 by Zaffirini, HB 1190 by Representative Mark Homer/SB 641 by Senator Rodney Ellis, HB 1764 by Representative Beverly Woolley, and SB 208 by Senator Eliot Shapleigh which all sought to regulate human embryonic stem cell research by providing a review process or framework for research or tried to prohibit human cloning as defined by implanting the product of nuclear transplantation into a uterus. These bills would have protected the research while implementing penalties and a structure by which to conduct embryonic stem cell research. None of these pieces of legislation passed out of the committee process.

Representative Jodie Laubenberg filed House Bill 1700 which would have prohibited funds awarded under the Cancer Prevention and Research Institute of Texas from being used for any research involving embryonic or fetal stem cell research. The bill was never heard in committee and Representative Laubenberg stated her intention to add it as an amendment to the CPRIT clean-up legislation, but eventually pulled her amendment down.

Senator Steve Ogden filed Senate Bill 1695 which would have placed a prohibition on the use of state funds and facilities for research involving the destruction of human embryos. This particular bill did not pass. Senator Ogden additionally added language similar to this as a rider into the budget bill, SB 1. Both the House Appropriations Committee and the Senate Finance Committee, as well as the Conference Committee on SB 1, received a tremendous amount of



feedback on this rider and eventually pulled the rider and did not include it in the final version of the budget which was passed.

This issue will continue to be a subject of debate by the Legislature in the coming years. Much of the confusion involved in discussing how a ban would impact Texas is a lack of knowledge on the amount of stem cell research being conducted in the state and where it is being conducted. In an attempt to discover more about this particular problem, Senator Ogden attached an amendment to House Bill 51 as part of some broader technology reporting requirements which will be addressed during an interim study. This particular language is discussed more in-depth in the Commercialization portion of this report.

Development

Clinical Trials – Senator Judith Zaffirini this session filed Senate Bill 39, a reincarnation of SB 674 which she filed last session, and Representative John Zerwas and Representative Brian McCall filed House Bill 390 and House Bill 2005 respectively as the identical companions. Senate Bill 39 quickly passed out of the Senate State Affairs Committee on a vote of 7 ayes and 0 nays with testimony provided by: THBI member, BioNumerik Pharmaceuticals’ CEO, Dr. Frederick Hausheer; Dr. Gabriel Hortobagyi with M.D. Anderson Cancer Center; Alamo Breast Cancer Foundation; American Cancer Society; and the Texas Medical Association among numerous others. One of the House companions, HB 390, was heard in the House Insurance Committee the day after the Senate’s hearing. THBI member, Michael Shearn with Genzyme, testified in addition to a host of other people in support of the House bill. SB 39 passed the Senate overwhelmingly on a final vote of 30-1 and was passed by the House in a final vote of 145-0. Governor Perry signed the bill on June 19, 2009.

Texas is consistently a leader in terms of the number of clinical trials conducted in the state. Filling clinical trials with an adequate amount of participants can be challenging, in part due to fears of patients that their insurance companies will not cover their routine health care costs. Senate Bill 39 requires insurance companies to cover those routine health care costs of enrollees who opt to participate in clinical trials for life threatening illnesses and removes one barrier of enrollment for patients. It would not require insurers to pick up additional costs or fund the research and investigational therapy or device, it would merely require them to cover the costs of care they normally would for treatment of a life-threatening illness absent enrollment in a clinical trial. These costs are things such as blood-work, x-rays, and lab tests. The passage of this legislation is an enormous policy supporting the development of new and innovative therapies and devices and will greatly benefit the patients suffering from life-threatening diseases. Additionally, it removes one more barrier of access to clinical trials by patients. SB 39 was signed into law on June 19, 2009.



Sales and Marketing Restrictions – Three pieces of legislation were filed in the Senate this session that sought to place restrictions on the sales and marketing expenditures of pharmaceutical, biotechnology, and medical device companies in Texas. Senate Bill 151 filed by Senator Rodney Ellis was filed first and did not move. Senate Bill 296 by Senator Royce West and Senate Bill 553 by Senator Eddie Lucio were both heard in a long and arduous Senate Health and Human Services Committee Hearing.

Senate Bill 296 would have required quarterly reporting by pharmaceutical manufacturers, medical device manufacturers, or medical supply manufacturers conducting business in Texas with gross annual revenues over \$1 million of any expenditure over \$25 to physicians, entities employing physicians, entities in which a physician has ownership, entities a physician has tenure with, and organizations involved in healthcare financing or delivery in which a physician is a member or receives certification through. SB 296 would also have required an annual report of the aggregate of items under \$25 expended to those designated entities. The bill provided for an exemption from the quarterly report of free product samples, any transfer of value to physicians who are patients at the time, items under \$25, and compensation paid to physicians who are solely employed by the manufacturer; however, the bill did not provide an exemption for preclinical research collaborations or expenditures associated with clinical trials. The details required in the quarterly and annual reporting were long and included such items as: the physician and associated entity, the value of the payment, the date on which it was provided, and the purpose of the payment or item of value. The bill also established civil penalties for failure to report and failure to file. The report would be publicly disclosed.

Senate Bill 553 would have required annual reporting by pharmaceutical manufacturers and repackagers selling prescription drugs in Texas of expenditures over \$75 made to physicians, physician's offices, hospitals, nursing homes, pharmacists, health benefit plan administrators, and any other persons authorized to prescribe or dispense prescription drugs. The bill provided for an exemption from reporting for free product samples, compensation and expenses associated with clinical trials, scholarships and support for medical students or residents to attend conferences, and grants or other support for conferences. The reporting requirements included the name and address of each recipient, the value and description of the benefit, and the date the benefit was received. It established civil penalties for failure to file annual reports, and required that the report be disclosed to the public.

The far-reaching potential impact of these bills is beyond that of simply to manufacturers, it extends into the ability to recruit research talent and collaborative partnerships with private industry and public entities within the state and establishes a highly restrictive environment for small companies which may not yet be profitable yet who are looking towards the sales and marketing aspects of their business model in the future. In general the policies would have sent a signal that Texas is not supportive of pharmaceutical and medical device research, development,



and commercialization quite in opposition to the efforts and commitment of the state over the past ten years to create an environment embodying these components. Research collaborations would have gone elsewhere to states without stringent reporting requirements and Texas would have lost significant investment in preclinical studies and clinical trials as well as possibly top research talent lured away to states encouraging partnerships with private industry investment. In speaking with a sister institution in Massachusetts, which recently passed one of the most stringent sales and marketing pieces of legislation to date, THBI discovered that the medical conference industry had begun canceling conferences there until as far in advance as 2015 because of the reporting requirements on sponsorships and the difficulty in attracting sponsors.

The life science industry is highly competitive, and other states look to Texas as a model of policies that are working and as a state to steal talent, research, and companies from. Sales and marketing bills implemented in piecemeal fashion across the country serve to put those states implementing them at a competitive disadvantage to other states. The hope for Texas is that it is able to conduct research, keep that research within its borders, recruit established companies to relocate or partner with Texas, create and grow companies, and eventually see those companies become large manufacturers providing jobs to Texans, tax dollars and indirect expenditures to local communities and the state, and that deliver the cures to patients for an untold number of diseases. Implementing sales and marketing policies on a statewide level absent the same policies in surrounding states, virtually guarantees that Texas will recognize none of those achievements listed above.

These particular pieces of legislation would have been extremely detrimental to the Texas Life Science Industry and environment had they been passed, and THBI worked diligently from the beginning of the session to educate Legislators on the potential impact of this particular type of policy. The Senate Health and Human Services Committee held a hearing on April 30 to take testimony on both SB 296 and SB 553. THBI President Tom Kowalski provided testimony against both pieces of legislation and THBI recruited many individuals to provide both written and oral testimony, including: Curt Bilby with Terapio and BioAustin, Dale Gannaway with Emergent Technologies, Michael Shearn with Genzyme, David Enloe with Introgen, and Susan Morris with KCI. Additionally, THBI members called throughout the session on numerous occasions voicing their opposition to these bills. It is because of those efforts that the voice of the life science industry was heard and neither of these bills was passed.

Federal legislation regulating sales and marketing practices of pharmaceutical and medical devices manufacturers is currently pending. THBI firmly believes that any policy regulating the expenditures of sales and marketing forces of life science companies should, at the very least, be the result of tremendous planning, collaboration, and compromise with both public, private, and government input and be implemented from the federal level as a national standard so that Texas



is not at a competitive disadvantage to other states in recruiting and growing life science companies and fostering collaborations between Texas institutions and private industry.

Commercialization

Texas Emerging Technology Fund - The Texas Emerging Technology Fund (ETF) has helped create an influx of funding for life science related startup and seed stage companies. The Commercialization, Research Matching, and Research Superiority components of the Fund have provided over \$148 million in funding to life science related entities in Texas since the Fund's creation in 2005. The Fund is viewed as a best practice nationally for other states to emulate and has made significant inroads with bolstering a venture capital investment environment in Texas and attracting capital from sources across the US. THBI again made renewing the Texas Emerging Technology Fund a priority with a goal to fund this third generation evolution of the Fund with \$200 million. THBI worked diligently to educate legislators about the necessity of continuing the ETF especially in light of the economy. Additionally, THBI advocated for the two cleanup bills to the ETF (HB 3789 and SB 783). These identical bills would have allowed the state more to hire or contract with an outside entity to assist in project applications, award offerings, negotiating and drafting contracts between the state and an award recipient, and managing the state's portfolio of ETF companies. These bills also would have implemented an annual reporting requirement on the Fund to the Legislative Budget Board and the Legislature, and would have allowed institutions of higher education to apply for funds to attract research superiority from entities other than higher education institutions regardless of whether the entities were located in Texas or outside the state. THBI held almost weekly meetings with TechAmerica, TechNet, and the Metroplex Business Technology Council in addition to multiple other industry groups in a continuing partnership to trade information, formulate a strategy, and pinpoint potential pitfalls to the success of these two bills as well as the renewal of the Fund through the Appropriations process. THBI kicked off Tech Week the third week of February and additionally held the THBI fly-in and the BizBio Program: The Texas Life Science Industry: Competing in a Global Economy. THBI members were on hand to advocate for the Fund and several other life-science priorities with their respective legislators and did a fantastic job relaying the necessity of this fund.

Unfortunately, Senate Bill 783 was victim to a backlog of legislation in the House and a last-minute amendment of the cleanup language by Senator Shapiro to a House Bill was deemed not germane by the House Parliamentarian. SB 783 failed to pass, but THBI and our respective industry association partners will continue to push for the cleanup legislation language in the next session. On a positive note, the Texas Emerging Technology Fund was renewed for a third generation round with an unexpended balance of just over \$109 million for the biennium and an additional \$94 million for a total of just over \$203 million.



Texas Enterprise Fund – THBI supported renewal of the Enterprise Fund and included it in discussions with legislators about the Emerging Technology Fund. This particular economic development tool has proved extremely useful in helping existing life science companies and partnerships expand within the state and in helping large corporations relocate their facilities to Texas, however in recent years, demand for Enterprise Fund dollars to use for relocations and expansion has declined. The Texas Enterprise Fund was renewed for a fourth generation and the unexpended balance from the previous biennium was rolled over. This amount with interest will begin the next cycle of the Fund with just over \$67.5 million.

House Bill 394/Senate Bill 355 - Representative Patrick Rose filed House Bill 394 and Senator Leticia Van de Putte filed the Senate companion, Senate Bill 355, to allow the Texas Enterprise Fund to additionally be used to provide grants to small business. These grants would be available for small businesses seeking to create additional jobs, looking to relocate to Texas, or for individual projects creating 100 or fewer jobs. This legislation would provide the Texas Enterprise Fund with the flexibility to assist small businesses as well. HB 394 did get passed by the Texas Legislature and is effective immediately.

Small Business Tax Relief - The Chairman of the House Ways and Means Committee, Representative Renee Oliveira, asked permission from the Legislature after the March 13 filing deadline to introduce and work on House Bill 4765 which concerns the revenue exemption from the franchise tax. Currently, the revised business tax, or revised franchise tax in Texas provides an exemption from the tax for businesses whose total revenue is less than or equal to \$300,000. House Bill 4765, which was passed by the Texas Legislature and signed by the Governor on June 16, provides a temporary exemption from the franchise tax for small businesses with total revenues equal to or less than \$1 million. This temporary exemption expires December 31, 2009. In addition, HB 4765, permanently establishes the franchise tax exemption, doubling the current exemption amount, to apply to entities with total revenues equal to or less than \$600,000. This permanent increase takes effect on January 1, 2012, immediately upon expiration of the temporary \$1 million exemption threshold.

Tracking Emerging Technology Research – Senator Kirk Watson and Representative Mark Strama filed SB 1600 and HB 4239 respectively in an effort to collect more information on the research being conducted in Texas. These bills create a committee during the legislative interim to study the feasibility of collecting data and maintaining a searchable electronic database or search engine on specialized technology research projects developed at public universities and research facilities in Texas. The idea behind these pieces of legislation is to facilitate recruitment to the state of research talent and entities seeking commercialization or collaboration opportunities is to have a one-stop locale to discover what types of research are being conducted



and where to facilitate communication and ease of contact. The interim study must consider a host of components including but not limited to:

1. The appropriate entity to administer the data;
2. The extent of legislative oversight required;
3. State and federal compliance with access to public information;
4. The information the data collection would include; and
5. What information should be accessible by the general public and what should have restricted access.

The committee will be made up of representatives from: UT Austin, Texas A&M University, Texas Tech University, University of Houston, the University of North Texas, UT Arlington, UT Dallas, UT El Paso, UT San Antonio, and other members appointed by the Higher Education Coordinating Board as appropriate. The data collection would include information on projects involving energy research, biomedical science research, nanotechnology research, and other specialized technology research. Additionally, Senator Ogden added language to include that research involving stem cells or human cloning is included in the data collection. While these bills did not pass as stand-alone legislation, the language was added to House Bill 51 which did pass and was signed by Governor Perry.

Manufacturing

Research & Development Sales Tax Exemption – THBI, for the second consecutive session, worked with TechAmerica, TechNet, MTBC, and some newly added collaborative partners such as the Texas Chemical Council, Texas Association of Manufacturers, the Texas Association of Businesses, the Texas Windstorm Alliance, and the Texas Renewable Energy Association, pushed for a sales tax exemption on research and development equipment in manufacturing. Texas remains one of only 6 or 7 states which has no tax treatment for research and development. The revision of the franchise tax during the 2006 special session on school finance eliminated the franchise tax credits associated with research and development. Currently, manufacturers in Texas receive an exemption from state sales tax on machinery and equipment used in manufacturing; however the law specifically excludes equipment used in research and development. Representative Brian McCall filed House Bill 1996 and Senator Florence Shapiro filed Senate Bill 1444 to extend that sales tax exemption to equipment used for research and development in the manufacturing process. House Bill 1996 received a hearing in the House Ways and Means Committee and had overwhelming support from both industry representatives and legislators. Tom Kowalski and David Enloe provided expert testimony on the need to implement an R&D Tax treatment for life science entities in Texas. While the feedback from legislators was extremely positive, the bill's fiscal note in combination with the current economic outlook led to hesitation to pass any type of R&D-specific tax incentive. THBI and its membership provided testimony as well as visited with committee members and their staff on this bill. Unfortunately, neither bill was voted out of committee; however, THBI and our



partners will renew efforts in the next legislative session to get this legislation or some other form of an R&D tax treatment passed.

Prescriber Data – Last session, Senator Van de Putte filed legislation prohibiting the use of data on physician prescribing patterns for advertising, marketing or promoting pharmaceutical products. During the 81st Legislative session, she again filed legislation on the same issue, but instead of implementing a prohibition, established an interim committee to study the issue first and provide recommendations to the Legislature. Senate Bill 646 requires the Texas Board of Pharmacy to conduct a study on the license, transfer, use, and sale of prescription information records containing patient-identifiable and practitioner-identifiable information by pharmacy benefit managers, insurers, intermediaries, pharmacies, and other entities for the purposes of advertising, marketing, or promoting pharmaceutical products. The Board must issue a report and recommendations, and SB 646 additionally establishes a civil penalty of up to \$5,000 per violation for those entities above who do not submit the information requested by the Board. SB 646 did pass and is effective immediately.

House Bill 3749 – Representative Garnet Coleman filed legislation with the intention of requiring hospitals to show, through an itemized bill, any markup difference between the price charged to the facility for implantable medical devices and specialty drugs and the price charged to the consumer by the hospital. Eventually this legislation was re-crafted as a study; however, numerous entities across multiple industries had concerns about violations of trade secret price and confidential rebate information which could hurt the bargaining power of the purchaser and the supplier. HB 3749 did pass out of the House, however it ran out of time in the Senate in the final days of the legislative session.

Preferred Drug List – Senator Carlos Uresti filed Senate Bill 1435 and Representative Susan King filed House Bill 3719 which both made changes to the process by which drugs are recommended and approved for the preferred drug list administered under the Health and Human Services Commission (HHSC). While neither of these bills passed as stand-alone legislation, Senator Uresti added the language as an amendment to HB 2030 which did pass.

Disposal of Unused Pharmaceuticals – Senate Bill 1757 was filed by Senator Kirk Watson and sponsored in the House by Representative Donna Howard. The bill requires the Texas Commission on Environmental Quality (TCEQ) to study the methods used to dispose of unused pharmaceuticals and make recommendations to the Legislature on the methods that would ensure they do not enter a wastewater system. TCEQ must look at methods currently used in Texas, alternative methods as well as methods used in other states, and the effects on public health and the environment of each method used to dispose of unused pharmaceuticals. The bill allows the TCEQ to seek input from pharmaceutical manufacturers, health care providers, medical waste processing entities, consumers of medication, and hospitals among numerous other entities. In



the report to the legislature, TCEQ must include recommendations on methods to be used by all to dispose of unused pharmaceuticals and a feasibility analysis of implementing those methods on a statewide basis. SB 1757 did pass through the legislative process and was signed by Governor Perry on June 19.

Healthcare

Graduate Medical Education – The Higher Education Coordinating Board in its recommendations to the 81st Legislature noted that the current level of Graduate Medical Education (GME) funding of \$5,634 per year per resident only covers over a third of the full faculty costs for GME estimated in 2004. Texas medical school students are more likely to leave the state to find residency positions if Texas’ Health-Related Institutions are not able to maintain and increase the number of positions here. Additionally, hospitals traditionally bear a large cost for GME resident stipends. The Higher Education Coordinating Board recommended that the 81st Legislature increase GME funding to \$7,500 per resident per year for the 2010-2011 biennium. The Legislature did provide for an increase, allocating \$6,653 per resident per year.

Physician Loan Repayment Program – The Legislature passed House Bill 2154 by Representative Al Edwards and Senator Juan “Chuy” Hinojosa approving the increased revenue raised by revising the way smokeless tobacco products are taxed from an ad valorem method to a weight-based method to go towards funding the physician loan repayment program. The state’s ability to recruit and retain physicians to care for the growing population is critical to improving healthcare access and outcomes in Texas, and a physician shortage particularly in rural and underserved areas threatens the state’s healthcare system. The physician loan repayment program has proved to be one of the most successful avenues to recruit new physicians to underserved areas, however, funding of the program has been low and as a result, the program is losing its effectiveness. HB 2154 will help increase the physician workforce by providing a larger quantity and amount of loan repayments for physicians practicing in healthcare shortage areas. This legislation was signed by the Governor on June 16, 2009.

Medicaid Diabetes Self-Management – Representative McReynolds and Senator Duncan passed House Bill 1990 this legislative session which establishes a pilot program for certain Medicaid enrollees to participate in self-management training of their diabetes. Currently, this training is not covered as a benefit under the Texas Medicaid Program. Newly diagnosed diabetes Medicaid enrollees receive medication to treat their diabetes, however they are provided with no training on lifestyle changes that can assist in managing diabetes and sometimes do not receive adequate training on the proper use of their medications. House Bill 1990 will establish a pilot program to provide participating Medicaid enrollees with up to 10 hours of self-management training with a diabetes educator and 3 hours of nutritional education with a



registered dietitian or diabetes educator. Additionally, after the initial training and nutrition education, participants can receive at least 2 more hours both of self-management training and nutrition education each year. The pilot program will measure the progress of participants and report the data and outcomes before the next legislative session.

Senate Bills 6, 7, 8, and 10 – Four pieces of legislation comprised a large portion of healthcare policy efforts during the 81st Legislative Session. Each of these bills crafted policies for different health care components affecting a broad group of Texans.

Senate Bill 6 by Senator Duncan created the Healthy Texas Program to provide access to small employer health plans at affordable prices, encourage small employers to offer coverage to employees and their dependents, and to maximize managed care strategies. Small employers are eligible to participate if they did not offer group health benefits on an expense-paid or pre-paid basis in the last 12 months, and at least 30% of their eligible employees receive wages less than 300% of the Federal Poverty Level. The Healthy Texas Program will allow small employers to purchase a plan if 60% or more of their eligible employees elect to participate. Employers are required to pay half or more of the premium for each covered employee and offer coverage to all those employees who are eligible. Additionally, SB 6 established the Healthy Texas Small Employer Premium Stabilization Fund to pay for the program. SB 6 did not pass as a stand-alone bill; however, it was amended onto another piece of legislation, SB 78, which did pass. The Texas Department of Insurance is charged with adopting rules to administer the program by January 4, 2010.

Senate Bill 7 by Senator Nelson was a broad healthcare omnibus bill creating policies on issues such as obesity prevention, the development of a standard definition of uncompensated hospital care, electronic health information exchange system development, quality-based hospital reimbursement system development, and incentive payment programs for nursing facilities to improve the quality of care among numerous other initiatives. Senate Bill 7 did not pass as a stand-alone bill, however, portions of it passed in multiple bills, which are detailed here:

1. Obesity Prevention Pilot Program – The Department of State Health Services (DSHS) is required to coordinate a pilot program designed to decrease obesity and increase nutritional choices in child health plan and Medicaid recipients. There is a reporting requirement by the Health and Human Services Commission (HHSC) including any recommendations on the continuation of the pilot program. This Section was amended onto Senate Bill 870 which passed and was signed by the Governor.
2. Uncompensated Hospital Care Data – This portion of SB 7 requires hospitals to provide uncompensated care data to the Department of State Health Services. It allows HHSC to withhold Medicaid reimbursements if hospitals do not comply with the provision of uncompensated care data. Uncompensated care is defined to include bad



debt, charity care, and unreimbursed care. This Section was included in SB 1, the state's budget, which passed and was signed by the Governor.

3. Medical Technology; Electronic Health Information Exchange Program – This portion of SB 7, as amended onto HB 1218, requires HHSC to develop a pilot program in at least one urban area of the state to determine the feasibility, costs, and benefits of an electronic health information exchange system to improve the safety, quality, and efficiency of services delivered under the child health plan and Medicaid. Among the requirements to be included are that the confidentiality of patient information is protected, that appropriate information technology systems used are interoperable, and that the system and external information technology systems are interoperable. The bill created the Electronic Health Information Exchange System Advisory Committee to assist HHSC in developing and implementing the electronic health information exchange system pilot program. The bill establishes stages to implement and expand the system and requires HHSC to develop strategies to encourage use of the exchange by providers and includes a requirement to report to designated legislative committees: information on implementation, utilization rates, and goals to increase utilization. This Section was amended onto House Bill 1218 which passed.

4. Quality-Based Hospital Payments – This language from SB 7, as amended onto HB 1218, is titled: Hospital Health Information Exchange. It requires HHSC to adopt rules for identifying potentially preventable readmissions of Medicaid recipients to hospitals. Potentially preventable readmissions are defined in the legislation, and HHSC is required to establish a health information exchange program to exchange confidential information with each hospital in Texas regarding the hospital's performance with respect to potentially preventable readmissions. HB1218 contains this language and did pass.

Senate Bill 8 by Senator Nelson made changes to the Texas Health Services Authority's responsibilities and allowed the Authority to make recommendations to improve the quality of health care funded by both public and private payers, and to increase accountability and transparency. The bill required the Authority to develop a statewide plan of recommendations on improvements to health care delivery, reductions of administrative costs, best practice information dissemination, and alternative payment methodologies to reimburse health care providers. The bill did not pass this session.

Senate Bill 10 by Senator Duncan required ERS Active Employees, TRS Retirees, and TRS Active Employees to implement a pilot program testing alternative payment methods for the provision of health care services. The legislation stated the pilot program must operate for at least one year and support nationally recognized quality of care standards and evidence-based best practices to ensure high-quality and effective health care services. This bill did not pass this session.



Evidence-Based Prescriber Education – Senator Royce West filed Senate Bill 1706 which created a prescriber education program to train pharmacists, nurses, and other health professionals to visit physicians and discuss drug choices and patient care services. Drug distributors employing marketers in the state would have been required to fund the training program for academic detailing through an annual \$2500 fee. This legislation did not pass out of the Senate Health and Human Services Committee.

Note to the Industry

Each legislative session, a number of factors contribute to the success of life science legislation and policy development. Changes within leadership and in committee chairs and committee assignments as well as turnover within the Texas Legislature, as new members win election and seasoned legislators with institutional knowledge do not return, contribute to a constant educational effort not only of what the life science industry entails, but its growth and impact on Texas and, likewise, the impact of Texas policies on research, development, commercialization, manufacturing, employment, and access to innovative therapies and devices on the industry. Often, there is a disconnect in the Legislature's understanding of the benefits of increasing funding for research and assisting emerging companies and the reality that large companies operating in Texas and providing care to thousands of Texas is the goal for all life science companies to strive for. THBI is working diligently to bridge that gap and heighten awareness of how the full spectrum of life science entities are connected and impacted by policy.

The life science industry has a common mission across its diverse membership, ultimately that is to help those who are sick get well, and those who are healthy remain so. It is this common goal that we as an industry need to unite behind and support all stages of development, realizing that policy formation which may not appear to affect one particular segment of the industry now, ultimately affects the whole industry regardless of size, structure, and immediate purpose.

This industry has a great opportunity in the next interim to actively educate legislators, participate in the interim studies which will occur, and engage legislators in their own districts to help mold a positive spotlight and reputation for all entities within the life sciences. Broad reforms at the federal level will also allow the Texas life science industry to highlight the strength of the industry and the importance of careful consideration of changes in the healthcare system; federal reform will spark completely new legislative discussions at the state level; and it is almost guaranteed that the issues faced by the industry this legislative session, both helpful and destructive, will return in the next. Additionally the economic issues affecting the state's budget will be challenging in the next biennium. THBI will continue to be the statewide advocate for the life science industry, and we will work side-by-side with legislators to ensure that the industry is represented in discussions on policy affecting growth, development, and success. However, it is critically important that all members of the life science industry engage with their



respective legislators in the education process to let them know that the life sciences in Texas are strong, widespread but also in their backyard and working hard to help Texans lead healthy lives.