



## **Testimony for the Senate Commerce and Economic Development Committee Hearing, March 21, 2019**

### **RE: SB1608 Senate Floor Amendment 1**

I am John Conrad, president & CEO of the Illinois Biotechnology Innovation Organization, also known as iBIO.

Thank you, to the chairwoman, and members of the committee for giving me the opportunity talk with you today about SB 1608.

iBIO is the state trade association representing the 85,000 life sciences jobs in Illinois. Our membership ranges from global corporations to startup companies in the biopharma, medical device and nutrition industries coming out of our academic research centers.

Illinois is home to 11 research universities with more than \$1.4 billion in state R&D last year.

Over the past five years, Illinois research universities have spun out over 900 companies from their research.

Startup life sciences companies are critical to the pipeline of new innovative therapies and products for patients. In the life sciences industry, these companies are at the forefront of the search for new cures and therapies.

Startup companies operate without profits or even revenues and devote substantial resources toward their research and development efforts to meet critical milestones to attract venture capital funds.

We call the time before companies receive their first venture investment the valley of death. Companies in this phase must bootstrap and find other sources of funding to support their research. And due to a lack of access to early stage investment, many companies fail.

The federal Small Business Innovation Research program, or SBIR, is a critical source of funding for companies in this stage.

The SBIR program provides more than \$2.5 billion annually in grants from 11 federal agencies designed to help small businesses create and commercialize new innovations and technologies.

The program consists of three phases:

- Phase I awards range from \$75,000 to \$150,000 to support feasibility study
- Phase II awards range from about \$250,000 to \$1,000,000 to support full research and development
- Phase III entails commercialization supported by funding outside of the federal program

The SBIR program is a highly competitive program. Completion of this program and awards not only provides companies with needed funding, it also provides validation to other investors that the company is scientifically sound.

Currently 14 States provide state matching funds to support and attract startups to their state: Florida, Hawaii, Iowa, Kentucky, Maine, Massachusetts, Michigan, Montana, Nebraska, North Carolina, Rhode Island, South Carolina, Virginia, and Wisconsin.

Illinois 6th largest state, and ranked 8th in Academic R&D (this ranking will continue to improve) but we don't even rank in the top 10 states for SBIR Awards. Since 2007 Illinois companies have received 781 SBIR grants, for comparison, companies in Michigan received over 860 awards and companies in Florida received over 1,000 and companies in Virginia received over 2,200 awards during that same time period...and for fun, Massachusetts, because



Cambridge and Boston is often seen as the center of R&D for the life sciences industry, 4,519 awards.

IBIO worked on Governor Pritzker's Job Creation and Economic Opportunity Committee which recommended forming a state SBIR matching program in the committee's final report.

Through the 2007 Innovation Challenge Grant Program, managed by DCEO, Illinois had a SBIR Matching program. This program was funded for only one year.

Working with Senator Elgie Sims, and supported by DCEO, SB1608 would update Illinois SBIR Matching program in DCEO to meet best practices from other states.

Specifically SB1608 will update Illinois' SBIR matching program to state economic best practices and provide DCEO with the economic tools to help research from universities translate into early-stage life sciences companies.

This bill would provide state based grants up to 50% of the amount of a federal Phase I SBIR Funded Award for Illinois based startup life sciences company.



This bill would also encourage recipients of the State's matching funds to pursue additional SBIR Phase II awards.

DCEO has identified potential funding sources for this grant and iBIO is working to provide monthly reports on grant opportunities and grant training for Illinois companies.

iBIO believes that when government, industry, and academia work together, our community thrives.

I would like to thank the committee for giving me the opportunity to talk about this important program and I would like to thank Senator Sims for his leadership with this bill.