

**TESTIMONY SUBMITTED TO THE COMMERCE COMMITTEE**

February 24, 2015

By Phil Siuta, Acting CEO  
Connecticut Innovations

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- SB 957: AAC PEER REVIEW PROVISIONS AND THE DEFINATION OF FINANCIAL ASSISTANCE FOR THE REGENERATIVE MEDICINE RESEARCH FUND
- SB 958: AAC CONSOLIDATIONG CERTAIN FUNDS OF CONNECTICUT INNOVATIONS, INC.
- SB 959: AAC ELIGIBILITY FOR FINANCIAL ASSISTANCE FROM THE CONNECTICUT BIOSCIENCE INNOVATION FUND

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Good morning Senator Hartley, Representative Perone, Senator Frantz and Representative Camillo and distinguished members of the Commerce Committee. My name is Phil Siuta and I am the acting Chief Executive Officer of Connecticut Innovations.

I appreciate the opportunity to testify and offer the following in **SUPPORT** of these 3 bills today.

**SB 957: AAC PEER REVIEW PROVISIONS AND THE DEFINATION OF FINANCIAL ASSISTANCE FOR THE REGENERATIVE MEDICINE RESEARCH FUND.** This bill will allow for necessary changes to (1) the definition of financial assistance and (2) streamline operations of this fund by reducing redundancy related to the peer review process.

Last year, the legislature changed the definition of the existing “Stem Cell Research Fund” to the “Regenerative Medicine Research Fund”. Regenerative medicine is a broad term for innovative medical therapies that will enable the body to repair, replace, restore and regenerate damaged or diseased cells, tissues and organs. Regenerative medicine promises to create new therapies and clinical solutions, to improve the quality of life, and to reduce healthcare costs. This broad field encompasses a variety of research areas including cell therapy, tissue engineering, biomaterials engineering, and transplantation science.

The Regenerative Medicine Research Fund continues to support embryonic and human adult stem cell research, including basic research to further our understanding of stem cells; however its focus was recently expanded to fund and support regenerative medicine as well as

applications moving toward translation and clinical use. Only by getting new potential therapies into the clinic do new regenerative medicine products and techniques become a reality.

(1) Currently, the existing statutes require a 5 person peer review group. The large number of proposals that come in each year for the Fund – for the 2015 RFP cycle it was nearly 100 – and the requirement that we give each application a quality review makes it difficult, if not impossible, for only 5 reviewers to accomplish this task. More than 5 reviewers would be needed. For this reason, the Regenerative Medicine Research Advisory Committee has enlisted the services of AAAS for peer review of the 2015 applications. AAAS, or the American Association for the Advancement of Science, is an independent peer review group associated with the publication “Science”. They have access to a large pool of reviewers with the appropriate expertise in all relevant disciplines to give Regenerative Medicine proposals a solid review. Of course, there is a cost associated with each application reviewed by AAAS.

The newly proposed language simply strikes the number requirement of the peer reviewers and replaces with a panel of peer reviewers. Should the language remain as is, it would require the peer review process to be two-tiered. A two-tiered process would be cumbersome, duplicative, and most costly. By revising the language associated with the “5 person peer review panel” which is statutorily required, we are not attempting to circumvent the peer review process. We are simply looking to make it more efficient.

(2) The change in the definition of “financial assistance” to include other forms of financial assistance including grants, extensions of credit, loans or loan guarantees, equity investments and other forms of financing, mirrors the language of the Connecticut Bioscience Innovation Fund. Currently, the only financing tool allowed to be utilized by this fund is in the form of grants.

Changing the definition of financial assistance to include other types of investment vehicles would allow CI and the Committee to have flexibility in making the fund sustainable and look forward to making a return for the State of Connecticut. For academics and non-profits institutions, the instrument will always be a grant since loans and equity investments are not acceptable in those environments. It is however relevant in the case of companies, where they are looking to commercialize technologies. Because the fund has been refocused to include “translation” we are expecting more companies to apply. By providing grants to a company, the state would essentially be “gifting” dollars to companies which may one day have the ability to pay back the state if they produce technology which has a favorable outcome or an exit that completes the mission for the stakeholders of CT. By expanding the definition of “financial assistance” to include other forms of financial assistance like loans or loan guarantees, equity investments and other forms of financing the state can continue reinvesting in similar technologies and continue economic growth.

We respectfully request your support of this bill.

The second bill I would like to offer support on is **SB 958: AAC CONSOLIDATION OF CERTAIN FUNDS OF CONNECTICUT INNOVATIONS, INC.** This bill combines the Business Environmental Clean-up Revolving Loan Fund and the Environmental Assistance

Revolving Loan Fund with the Connecticut Growth Fund in order to simplify the accounting procedures for CI.

And lastly, I would like to offer my support for **SB 959: AAC ELIGIBILITY FOR FINANCIAL ASSISTANCE FROM THE CONNECTICUT BIOSCIENCE INNOVATION FUND**. This bill will redefine early-stage business to include businesses that have been in operation for up to seven years and to exclude businesses that have begun phase II clinical trials.

PA-13-289 established The Connecticut Bioscience Investment Fund, (“CBIF”) as a \$200 million “evergreen fund” administered by Connecticut Innovations to finance projects to improve the delivery of health care services, lower health care costs, and directly or indirectly create bioscience jobs. The projects can involve improvements or developments in services, therapeutics, diagnostics, and devices in pharmaceuticals, bioscience, biomedical engineering, medical care, medical devices, medical diagnostics, personalized medicine, health information management, and other related disciplines.

Nonprofit corporations, accredited colleges and universities, and for-profit start-ups or early-stage businesses are all eligible to apply to the fund. For companies, current statutes define early-stage businesses as those that have been operating for no more than three (3) years and are developing or testing a product or service that is not yet available for commercial release or available only in a limited manner, including clinical trials or market testing of prototypes.

The Bioscience Innovation Fund opened its doors in January 2014 and it is now a full year that we have been working with applicants and interested parties. We have a better understanding of the companies in our state, their level of development, and their funding needs. CI has received considerable feedback that the company requirement of 3 years is a hindrance to many early-stage companies who might otherwise be eligible for CBIF funding and are in need of funding. We have had to turn away numerous potential applicants which do not meet the three year test.

Why is the current 3 year requirement too short a time period for companies? Simply put, it may take a while for a company to get off the ground, recruit talent, and establish proof-of-concept data before they are ready for outside dollars. Particularly in the field of bioscience, the age of “early stage” is typically beyond 3 years from the date of company establishment (where average is 5-7<sup>+</sup> years). We believe that increasing the operating time limit from 3 years to 7 years is an adequate time period for a company to organize and create an opportunity around a viable technology, product or service with commercial potential (based on information gathered from the bioscience marketplace).

Expansion to 7 years would allow for more companies to be eligible to apply to the Fund, which in turn would fuel economic development in our state by providing a greater number of deserving groups the necessary funding for their bioscience innovation and to build their teams. In addition, by increasing the requirement to 7 years, the CT Bioscience Innovation Fund would be consistent with the requirements as set by other early-stage programs in our state namely, the Pre-Seed Fund and the Angel Tax Credit Program.

While we are in support of expanding the number of years a company has been in operation, we recognize CBIF's role and mission as an "early-stage" bioscience fund. This is the reason why we are also proposing an upper limit on applicants to exclude those who have already begun Phase II clinical trial evaluations. Phase II Evaluation means a Phase II clinical trial that is being conducted under the auspices of an independent peer-reviewed protocol that has been reviewed and approved by one of the National Institute of Health or the federal Food and Drug Administration (FDA). If a company is embarking on a Phase II clinical trial, the financial resources required for such a trial and to fund the company would be beyond the scope of CBIF and the company would likely be engaged in conversation with a large venture firm or strategic partner to finance such development. Financing company development at or beyond a Phase II clinical trial would be beyond the scope and spirit of the Bioscience Innovation Fund.

Thank you for your consideration and support of these proposals.