Testimony of Susan Froshauer, President of CURE, on SB 413, “An Act Concerning a Tax on Certain Endowment Funds of an Institution of Higher Education” and SB 414, “An Act Concerning the Tax on College Property”

Senator Fonfara, Representative Berger, and Members of the Committee, thank you for the opportunity to comment on SB 413, “An Act Concerning a Tax on Certain Endowment Funds of an Institution of Higher Education” and SB 414, “An Act Concerning the Tax on College Property.”

I am Susan Froshauer, the President of CURE, the association for the bioscience industry in Connecticut. CURE’s membership includes the established pharmaceutical companies in the state, a large number of startup companies, and research universities, including UConn and Yale. I have spent my career building companies focused on creating new drugs to treat and cure human disease, first at Pfizer and later as the founding CEO of Rib-X, a New Haven company based on the Nobel Prize winning research of Yale Professor Tom Steitz. I also worked with UConn in its technology transfer office before coming to CURE. I have deep first hand knowledge of the bioscience industry in Connecticut and the role that universities, especially Yale, play in building that industry, which is one of the bright spots in the Connecticut economy.

I have serious concerns about SB 413 and SB 414 because they would undermine the ability of universities to conduct fundamental medical research that is the basis for most if not all of the bioscience startup companies in Connecticut.

Connecticut is counting on the startup companies in bioscience to provide significant number of high-paying jobs. That is the main reason for investing in Jackson Labs and for developing the technology transfer programs at UConn. The strategy to launch bioscience startups is most advanced and robust in New Haven, where there is a thriving community of startup companies that can be traced directly to research conducted by Yale. There is a growing “understory” of very young companies, such as Arvinas, a substantial grove of mid-size companies, such as Kolltan and Melinta, and of course, at least one very tall tree in the form of Alexion. It is a time of great excitement about the opportunity to improve patients’ lives and to create jobs.

This thriving industry did not arise spontaneously. Two decades ago Yale made the deliberate decision to create a new industrial base to help replace the declining small arms industry. Yale looked to its strength in medical research and concluded that the unique contribution it could make to the revitalization of the New Haven economy was to promote the translation of discoveries being made in faculty laboratories. The federal government, which funds the majority of research on university campuses, also actively encouraged this approach through the enactment of the Bayh-Dole Act. Yale has also played a leading role in creating a community of inventors, investors, and entrepreneurs who are ready to develop new business opportunities and to mentor new entrepreneurs. This “innovation ecosystem” sets apart Boston or Silicon Valley from other parts of the country, and Yale has been out in front in trying to build an equally effective environment in the New Haven region.

It has been an arduous path, in part because of Wall Street’s fickle approach to investing. Yale, despite such fluctuations, especially in the biotech arena, has
consistently taken on the hard work in finding entrepreneurs to start companies, and there is now a substantial core of new businesses in the New Haven region that are creating jobs and paying property taxes.

SB 413 and SB 414 would hinder Yale’s ability to generate new discoveries that entrepreneurs can develop into new therapies. Research universities like Yale are critical to the pipeline of new cures, but state-of-the-art medical research is extraordinarily expensive. Federal agencies, such as the National Institutes of Health, fund a large portion of university research, but schools are shouldering a larger share of the burden. Yale currently supports about 40% of the total cost of research conducted on its campus. Any proposal to tax Yale’s endowment, or to revoke its property tax exemption, would ultimately reduce the resources available to support pioneering research that leads to the companies that will develop the cures and provide good, high-paying jobs in New Haven.

Let me close that I spend much of my time discussing the state of the bioscience industry in New Haven and the rest of Connecticut. In most of my meetings with government officials, investors, and leaders of companies, we discuss the importance of reaching critical mass – of having enough companies and enough jobs to attract companies to Connecticut instead of losing them to other states. In New Haven we are close to reaching critical mass in bioscience companies, and I think we will get there if we sustain the pace of university research and engagement in the bioscience community. However, I also believe that proposals to tax Yale and other universities that are actively engaged in disseminating faculty discoveries in the hope of creating new jobs will sap our momentum and defeat a highly successful strategy developed over the past two decades.