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Testimony of Jim Damicis, Senior Vice President, Camoin Associates

Re: LD 1475 An Act to Promote Biomanufacturing and Biotechnology Development by Establishing a Tax Credit

April 17, 2023

Chairperson Grohoski, Chairperson Perry, and members of the Committee on Taxation

I am Jim Damicis, and I am a resident in Scarborough, Maine. I am the Senior Vice President of Camoin Associates and I am here today with my colleague Angela Hallowell, an Economic Research Analyst. Thank you for this opportunity to testify regarding LD 1475. Our firm, Camoin Associates, was retained by FocusMaine to conduct an objective economic impact assessment of the potential development of four biomanufacturing facilities and biotechnology incubators in Maine. The Economic Impact Report was submitted electronically with my testimony.

We studied each region to represent hypothetical scenarios based on where biomanufacturing and biotechnology incubators are more likely to locate based on the current presence of similar businesses. The four study areas include:

- The State of Maine
- Portland MSA Study Area (York, Cumberland, and Sagadahoc counties)
- Lewiston-Auburn MSA and Augusta-Waterville μ SA Study Area (Androscoggin and Kennebec Counties)
- Bangor MSA + Hancock County Study Area (Penobscot and Hancock Counties)

Based on the assessment we found the following:

Positive economic and fiscal impacts would be significant, both statewide and regionally within Maine.

In total, the operation of these four facilities would result in the creation of 573 jobs, an associated \$42.9 million annual earnings, and \$112.8 million annual sales throughout the state. These totals are the sum of the direct, indirect, and induced impacts. In addition, these economic impacts would be associated with \$2.1 million of new sales tax revenue for the state, annually. While it is not calculated in this study, it is anticipated that there will be additional local property tax benefits and state income tax benefits based on each project.

The development of new biomanufacturers and biotechnology incubators will support overall growth of Maine's biotech cluster.

This will have positive impacts for both the statewide and regional economies beyond what is quantified in a traditional economic impact analysis. This includes:

- Support new investment in Maine's biotech cluster. The addition of new biotech companies in Maine has the potential to increase venture capital investment in the industry. By providing funding to grow companies, biotech innovation is transformed into economic growth and cluster expansion.
- Increase innovation through research and development expenditures. New jobs created by biotechnology tax incentives have the potential to generate new R&D investment in the state each year.
- Create new opportunities to retain higher education graduates. 46% of Maine public university graduates of Biological & Biomedical programs leave the state for work, a figure that could be improved by new jobs in the biotechnology field. This will further the concentration of biotech-related skills and intellectual capital in the state while growing Maine's tax base.
- Increase opportunities to keep industry workers and wages in-state. In 2022, most of the key occupations in the biotechnology sector in Maine have negative net commuters, meaning some workers have to leave the state to access jobs; this could be mitigated by growing numbers of biotechnology sector jobs created by the proposed tax incentive.
- Expand Maine's biotech cluster by utilizing existing talent. Recent data shows that there is a relative underutilization of biotech talent in the region, which may be leveraged to expand the biotech cluster in Maine.

Impacts generated as a result of new facilities will multiply on an ongoing basis.

The nature of incubators and accelerators is such that economic benefits will continue to multiply and grow over time. For example, on-site jobs are intended to result in spin off activity, leading to the generation of new businesses and products as the cluster develops and more companies are established, ensuring continued growth of the positive benefits for years to come.

Demand for facilities is consistent with recent and projected trends in the U.S and northeast for biotechnology and biomanufacturing – this policy and investment would allow Maine to capture these northeast region economic opportunities and related benefits and further grow its biotechnology and manufacturing industry.

Nationally, the biomedical sector is strong and growing, with projected employment growth of 4.2% annually over the next five years. Maine's Biomedical Manufacturing sector is strong, competitive, and emerging in the state. In Maine, biomedical manufacturing is one of the fastest-growing sectors growing by over 60% and adding over 2,750 jobs from 2017-2022. Meanwhile, the sector plays a large role in supporting the state's exports; \$3.2 billion of sales were exported in 2022. Overall, more than 83% of the biomedical sectors' sales are exported out of state.

Moreover, recent research shows that the Massachusetts life science sector is expected to have a talent supply deficit of up to nearly 7,000 positions through 2026 that the state's pipeline would

be unable to fill. This deficit elsewhere in New England, paired with Maine's current underutilization of biotech talent, leads to an ideal environment for biotechnology investment within the state, which will further accelerate the status of Maine's biomanufacturing and biotechnology ecosystem.

Tax credit and resulting development are consistent with past investments and existing strategies and strengths in Maine.

The biotechnology and biomedical manufacturing industries are a key component of the State's recent and historic policy priorities. This plan includes strategies of increasing R&D investment and promoting exports through the support of startups, new ventures, and small businesses.

In the past 25 years, Maine has seen great progress in its biomedical ecosystem and industry performance. It is a critical targeted growth industry with existing assets and strengths, including:

- Strong industry group and industry-driven initiatives such as BioME and FocusMaine
- World-class research and academic institutions including the University of Maine and non-profit research labs supported by R&D investments.
- Start-up ecosystem for support and investment, including organizations like the Maine Technology Initiative, Small Enterprise Growth Fund, Maine Center for Entrepreneurs, and more.

In Sum:

Maine's existing assets in the bio-based economy and its status as an emerging sector contribute to an environment that is ripe for the creation of incubators to support spin-off companies in the state. Additionally, this proposal fills a critical gap in Maine's emerging bioscience sector. Companies that scale to manufacturing are in need of small-to-medium flex space, including existing manufacturers investing in more capacity. This proposal would both strengthen the specific target sector, but also offer cross-sector benefits for Maine manufacturing overall as well as transportation and logistics, providing high paying jobs at all levels.

Thank you for this opportunity to testify and present and we are happy to answer any questions.