



# Evaluation of Impact of Tobacco Funding Ballot Proposal on Michigan Life Sciences Corridor

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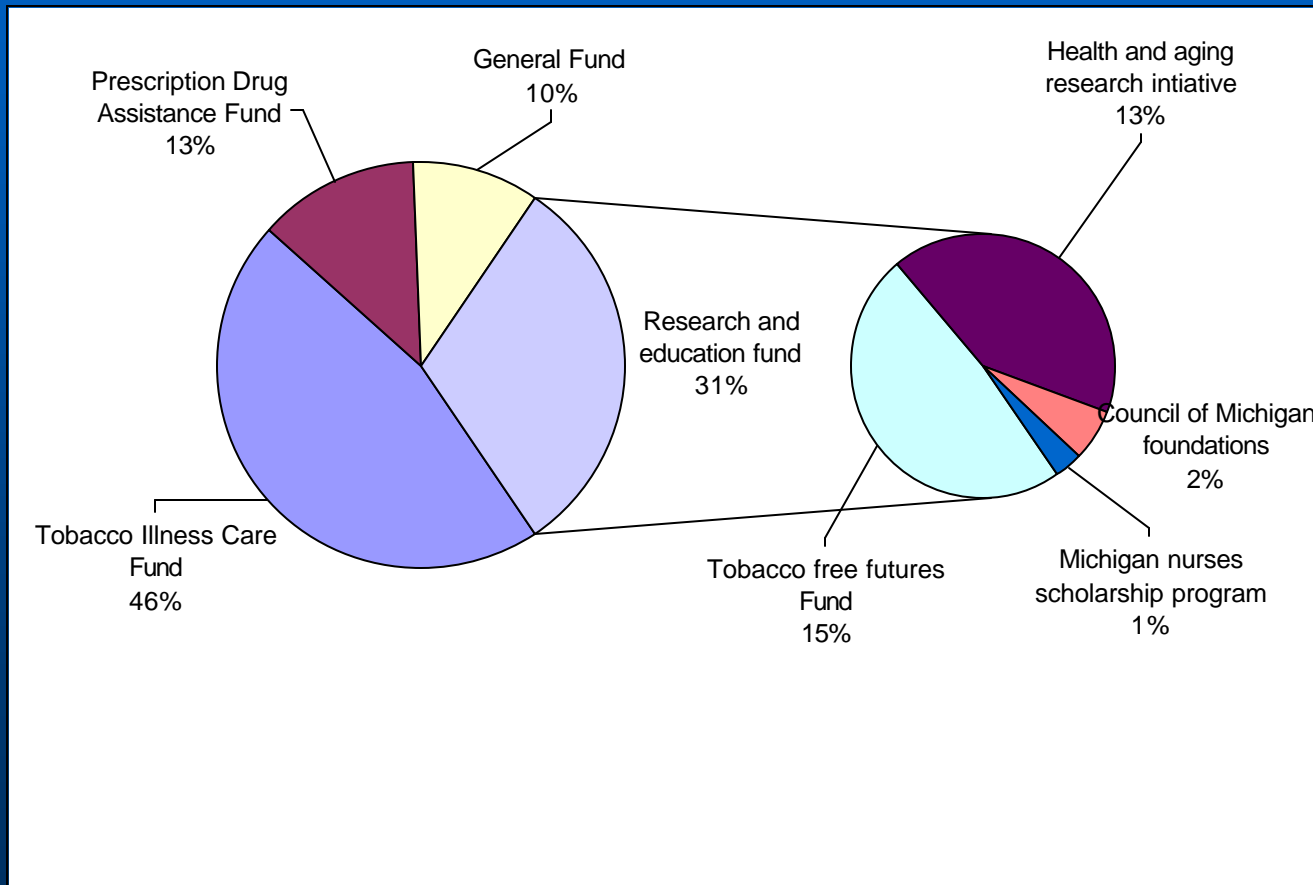
# Constitutional Amendment

## Article 9

- Proposal sponsored by HealthyMichigan, coalition of healthcare organizations
- Dedication of tobacco settlement revenue to improvement of health
- Establishes 3 new funds
  - Tobacco illness care fund
  - Research and education fund
  - Senior citizen prescription drug assistance fund



# Proposed Distribution of Funds



Source: Proposed Amendment to Michigan Constitution, Article 9



# Research and Education Fund

## ➤ Distributed among 4 areas

- Tobacco-free futures fund (aims to prevent and reduce tobacco use and its adverse health effects)
- Health and aging research and development initiative (PA 120 1999)
- Council of Michigan foundations (supports local community efforts to address youth and senior needs)
- Michigan nurses scholarship program



# Health and Aging Research Initiative, MLSC Fund

- Established through PA 120 1999
- 13% of tobacco revenue (HealthyMichigan estimates of \$39-\$47 M/yr)
- 15% of the allocated funds to be used for tobacco-related research
- Assumptions
  - Distribution of funds among categories remains the same
  - Increased tobacco tax will reduce tobacco consumption nationally and therefore settlement revenues by 3-5% per year\*

Source: Department of Management and Budget



# Estimated Impact on MLSC Funding is \$12 Million Annually

\$Million

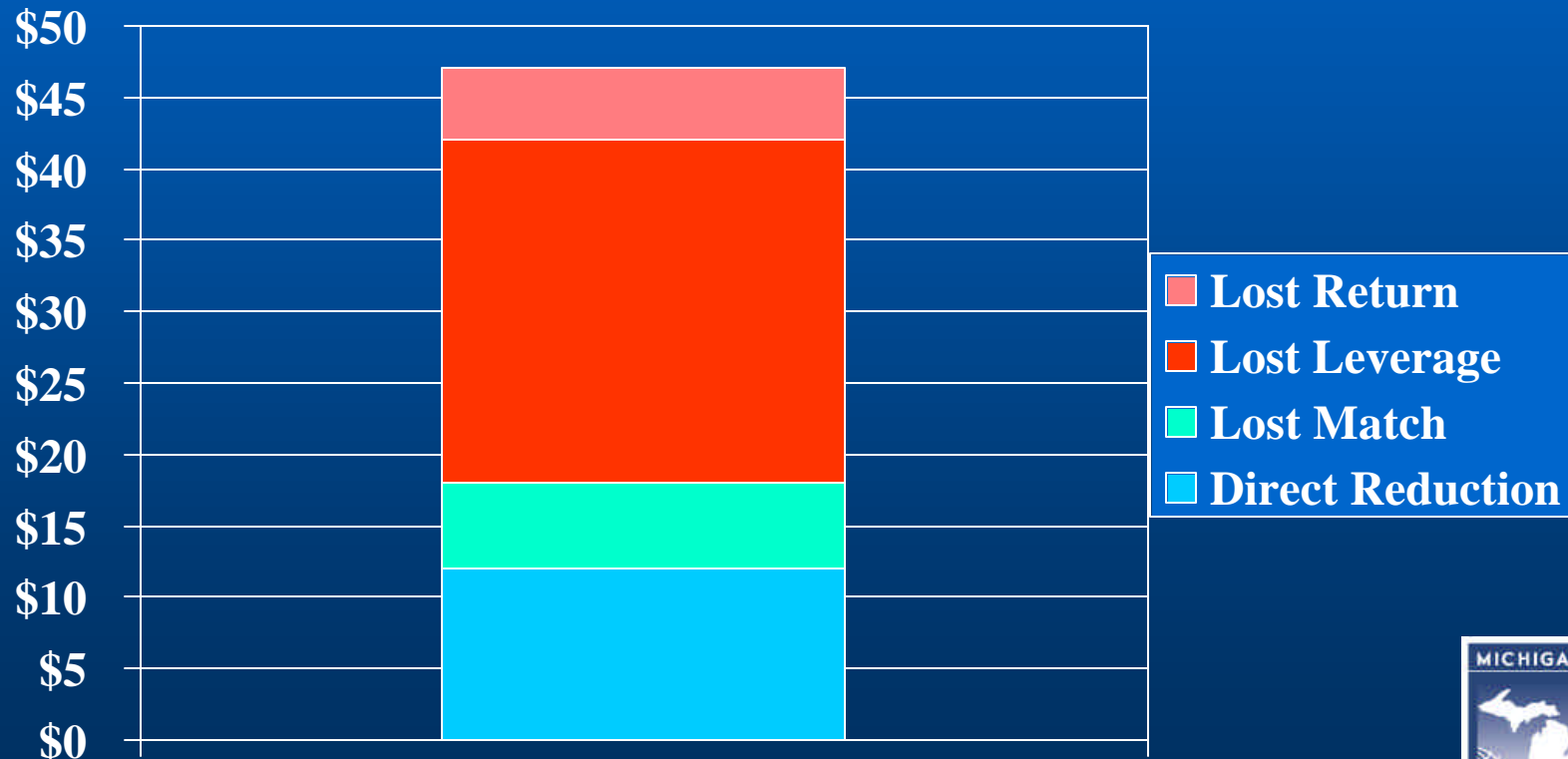
Fiscal Year	Tobacco Revenues*	w/ ballot proposal	w/o ballot proposal	Impact
2000	\$351.6	\$45.7	\$50	-\$4.3
2001	\$260.9	\$33.9	\$50	-\$16.1
2002	\$320.5	\$41.7	\$45	-\$3.3
2003	\$328.2	\$42.7	\$45	-\$2.3
2004	\$290.9	\$37.8	\$50	-\$12.2
2005	\$295.5	\$38.4	\$50	-\$11.6



Source: Department of Management and Budget

# Ballot Proposal Would Result in Nearly \$50 Million Total Annual Loss in Direct Funding, Match, Leverage and Return

\$Million



# \$50 M Reduction in Annual Funding Would Lead to

- Reduction in MLSC funded employment and employment growth driven by MLSC funded companies and technologies
- Lower odds of receiving funding reduces incentive to generate of valuable project ideas
- Creates an innovation gap: technologies that could impact diseases driving healthcare costs go undeveloped
- Negative impact on MI competitiveness vs. other states' programs
- Increased ratio of program management cost to funding for awards



# Near-term Funding Reduction Would Be Particularly Hurtful

- Reduction in total portfolio value
- Current investment drought for start-ups and technology development
- Lower potential for MI life sciences cluster sustainability and competitiveness



# MLSC Impact to Date

- \$145 million invested in 78 awards
- Wide impact on cutting edge biomedical research on diseases and technologies to treat, diagnose and prevent
  - Cancer - 11 awards
  - Cardiovascular - 7 awards
  - Diabetes and metabolism - 6 awards
  - Neurological disorders - 4 awards
  - Bioterrorism defense and surveillance - 5 awards
  - AIDS and inflammation - 4 awards
  - Diseases of the kidney, eye, bone, lung - total 5 awards
  - Environment - 2 awards



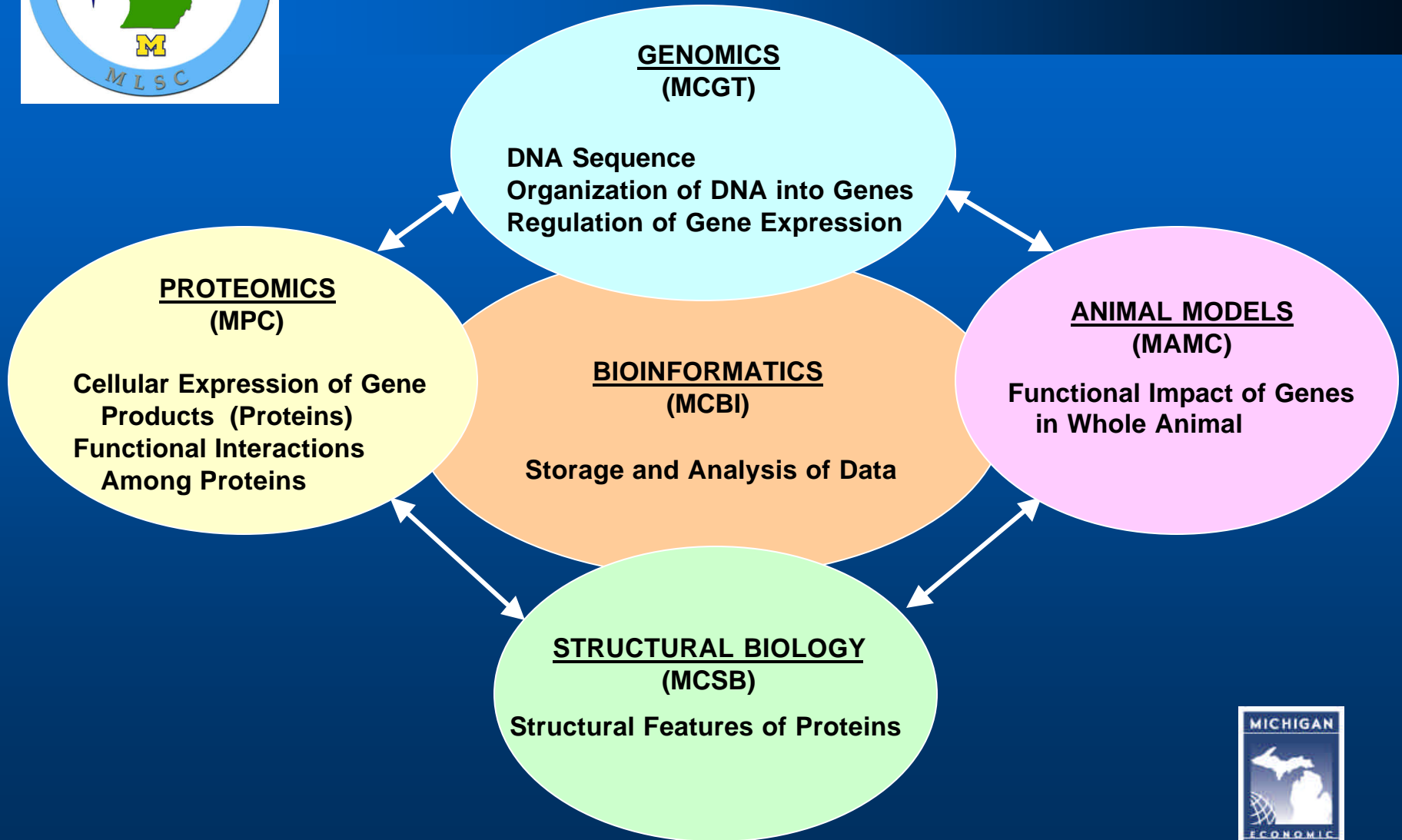
# MLSC Impact to Date, Cont'd

- Investments in awards to push forward frontiers of biomedical discovery commercialization
  - Drug discovery and development - 10 awards
  - Biomanufacturing - 3 awards
  - Bioinstrumentation - 3 awards
  - Genomics technologies - 4 awards
  - Commercialization services - 6 awards
  - Venture funds - 4 awards





# Core Technology Alliance - Powerful Technology Collaboration



# MLSC Impact

- Estimated 200 employees are funded through direct MLSC awards
- Funding provided to 16 Michigan early-stage life sciences companies
- 3 companies have formed based on MLSC funded university awards
- 35 Michigan companies are collaborating on 42 award projects

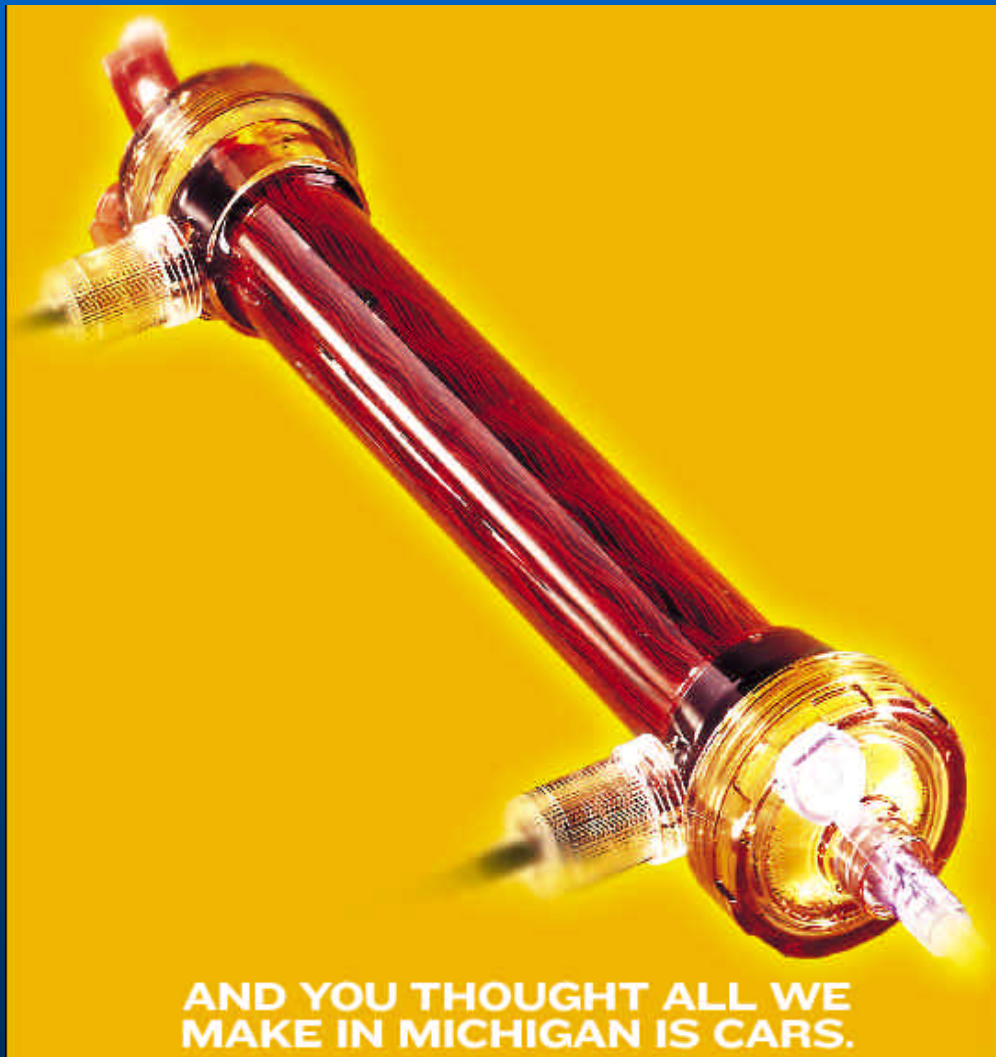


# Results From MLSC Program

- ✓ Pfizer's expansion of the Ann Arbor research campus is the largest corporate expansion or relocation in 2001
- ✓ 22 life sciences companies formed in 2001
- ✓ Investment in excess of \$2.9 billion and 2067 jobs
- ✓ Enhanced ability to attract funding and talent by research centers
- ✓ National recognition of Michigan as a leading state in life sciences expansion



# MLSC Marketing Campaign



- MLSC Marketing Campaign has attracted attention to Michigan's life sciences achievements
- MLSC brand recognition 77% among life sciences executives
  - MI named as #2 state for corporate relocation and expansion



# Conclusion

- MLSC is a highly successful program with significant current and future impact on Michigan's health and economy
- The ballot proposal to reduce funding to this program is going to have a chilling effect on the program and its likelihood of success

