Building Tech-based Economies: State Proposals and Actions

espite a challenging fiscal year for most states, governors across the nation have announced initiatives aimed at growing their state and local economies through targeted investments in science, technology and innovation. SSTI has prepared a brief to provide a synopsis of recent tech-based economic development news from governors' State of the State addresses, budget proposals, and press releases. Proposals span investments in biotechnology companies and tax credits for angel investment and R&D to creating loan pools for small businesses and scholarship funds to improve access to higher education.

NEW FUNDS PROPOSED OR COMMITTED TO TECHNOLOGY

Alaska: \$400M endowment for college scholarships

Using the interest earned from \$400 million in state savings, Alaska Gov. Sean Parnell has proposed a plan that would provide Alaska high-school students with scholarship funds to attend the University of Alaska or instate vocational institutions based on academic performance. The Governor's Performance Scholarship would be awarded to students based on grade average. Students with an A grade average would receive a 100 percent tuition scholarship, students with a B average would receive a 75 percent tuition scholarship, and C students would receive a 50 percent tuition scholarship. In an effort to promote college preparedness, the governor's plan also stipulates that high-school students take four years of math, science, and language arts, and three years of social studies to be eligible for the scholarships. Gov. Parnell will seek approval from the legislature in the upcoming session to set aside \$400 million of nearly \$8 billion currently in the Constitutional Budget Reserve Fund and Statutory Budget Reserve Fund to initiate the program (October 2009).

Connecticut: \$500M public-private loan pool for small businesses As part of an economic recovery plan for the state, Connecticut Gov. Jodi Rell proposed the creation of a \$500 million public-private loan pool, which would be established using \$100 million in bond funds. Two funds would be created: one for businesses with 250 or fewer employees and the other for businesses with 100 or fewer employees. The governor's plan also includes a \$6 million student loan forgiveness program that would apply to recent college graduates in renewable energy, manufacturing, R&D, life sciences, and information technology fields who spend at least five years working in the state (February 2010).

Florida: \$100M to replenish Innovation Incentive Fund

Florida Gov. Charlie Crist's FY11 budget includes \$100 million for the Innovation Incentive Fund, which was established in 2006 to attract R&D companies and create high-wage jobs and subsequently was depleted in 2008. The governor also is asking for \$33 million for Space Florida, of which \$20 million is slated for business recruitment activities. To provide financing for new and expanding space businesses, the governor recommends \$10 million. Another \$3.8 million is set aside for general operations, \$3.2 million for workforce development, and \$3 million to fund business development and recruitment projects (February 2010).



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Illinois: Economic Recovery Plan

Providing access to startup capital, promoting biotechnology, and investing in the green economy to create and grow jobs are among the priorities of Gov. Pat Quinn's Illinois Economic Recovery Plan presented during a speech in December. The governor's plan would establish an Angel Investment Tax Credit program to allow investors making an early-stage investment in a technology startup to receive a capped credit against their Illinois tax bill. The governor also will propose the creation of a state fund to provide matching grants for technology research companies competing for federal funding and explore the idea of establishing a venture capital fund of funds (December 2010).

Kansas: Targeting biotech through tax increment financing

The Kansas Bioscience Authority is slated to receive \$35 million in FY11. KBA is a \$581 million initiative created by the Kansas Economic Growth Act of 2004 to expand the state's research capacity by offering support services and capital to bioscience companies. It receives its funding through a tax increment financing process applied to the biotechnology industry in Kansas (January 2010).

Maryland: \$43M for BIO 2020 Initiative

Maryland Gov. Martin O'Malley recommends \$43 million for the state's BIO 2020 Initiative in FY11, a \$1 billion plan to build Maryland's reputation as a global leader in biosciences. This includes \$12.4 million for stem cell research, \$6 million for the Biotechnology Investment Tax Credit, \$3.8 million for the Maryland Biotechnology Center, and \$250,000 for the Incubator Support program. The governor's capital budget includes \$16.1 million to construct the new Germantown Bioscience Center at Montgomery College and \$5 million for the East Baltimore Biotechnology Park (January 2010).

Michigan: Additional funding for alternative energy

To attract additional federal funds and boost job creation, Michigan legislators passed a bill authorizing the state to spend another \$30 million on a program to create alternative energy clusters and support technology commercialization. The Centers of Energy Excellence program was enacted last year as part of Gov. Jennifer Granholm's overall job creation and economic stimulus package. The Centers, which are administered through the Michigan Economic Development Corporation, match companies with universities, national labs and training centers to accelerate next-generation research, workforce development and technology commercialization. Lawmakers capitalized the program with \$45 million for FY 2008-09 and the new bill authorizes an additional \$30 million in spending through FY11 (November 2009).



Michigan: Loans and specialized training for entrepreneurs

Michigan Gov. Granholm announced a plan during her State of the State address to provide loans and specialized training to foster entrepreneurship. The two-pronged, \$43 million strategy consists of a loan partnership between credit unions and Michigan Small Business and Technology Development Centers with specialized training provided through the Michigan Economic Development Corporation's FastTrac NewVenture Program. The loan partnership is expected to make about \$43 million available to help more than 2,000 small businesses with new or expanding operations. For the training component of the plan, the Michigan Economic Development Corporation has pledged \$200,000 to expand the 10-week FastTrac NewVenture program, designed for entrepreneurs in the early stages of business development (February 2010).

Minnesota: Tax credits proposed for angel investment and R&D Announced during Gov. Tim Pawlenty's State of the State address, the proposed Jobs Creation Bill is a six-part plan with components aimed at stimulating formation of early-stage capital in new emerging businesses and encouraging businesses to invest in R&D. Under the proposal, a 25 percent tax credit for angel investments in qualified businesses would be established. The tax credits would be capped at \$5 million a year in 2010 and \$10 million in 2011. Gov. Pawlenty's jobs bill also aims to encourage businesses to undertake R&D by eliminating the current cap for corporations — which currently is 5 percent for R&D investments up to \$2.5 million — and to expand the credit to all businesses that invest in R&D (February 2010).

Missouri: New program to promote S&T companies

During the upcoming legislative session in Missouri, lawmakers will consider a proposal by Gov. Jay Nixon to create a funding source aimed at attracting top scientists, commercializing research, recruiting and building science infrastructure, and creating capital programs for early-stage technology companies. The Missouri Science and Reinvestment Act (MOSIRA) would dedicate an annual portion of new tax revenues generated by biotechnology companies to a newly-created state fund administered by the Missouri Technology Corporation. Funding would be reinvested in a wide-range of technology-based economic development programs designed to grow science and technology companies across the state (January 2010).

New Hampshire: Initiative announced to help launch green energy companies

Using \$750,000 in federal stimulus funds, Gov. John Lynch announced a partnership with the University of New Hampshire (UNH) to help launch clean technology companies in New Hampshire. The Green Launching Pad will connect companies to business, science and engineering faculty at UNH to develop finance and marketing plans and help companies connect with angel investors and business mentors (January 2010).

New York: \$101M increase for NYSTAR

The New York State Foundation for Science, Technology and Innovation (NYSTAR), the state's lead tech-based economic development agency, would see a significant boost in funding under a proposal unveiled by Gov. David Paterson to distribute \$100 million in new Innovation Economy Matching Grants. Announced during his State of the State address, the grants would be divided among a new Technology Seed Fund (\$25 million), a Small Business Revolving Loan Fund (\$25 million) and funding for other economic development initiatives (\$45 million) (January 2010).

Ohio: \$40M for Energy Gateway Fund

Ohio Gov. Ted Strickland announced a plan to use \$30 million in federal stimulus funds and \$10 million from the state job stimulus program to create an Energy Gateway Fund that will provide access to capital for new and expanding advanced energy companies (January 2010).

Tennessee: Funding proposed for new Energy Sciences and Engineering program

Tennessee Gov. Phil Bredesen's FY11 budget includes \$6.2 million in non-recurring funds over a three-year period for development of a new graduate energy sciences and engineering program at the University of Tennessee at Knoxville that intends to create 200 faculty appointments for Oak Ridge National Laboratory researchers (February 2010).

Texas: \$500M program for university excellence

In November 2009, Texas voters approved Proposition 4, a constitutional amendment establishing a national research university fund to help emerging research universities in Texas striving to achieve national prominence as major research universities. The pool of money, to be capitalized initially by an existing \$500 million higher education fund, is to be "a dedicated, independent, and equitable source of funding" that is distributed by a yet-to-be-determined formula established by the legislature or an agency designated by the legislature. The University of Texas at Austin and Texas A&M University, already tier one research institutions, are not eligible to receive any of the funds. The goal is to raise one or more of seven public universities to the same status: Texas Tech University; University of Texas at Arlington; University of Texas at Dallas; University of Texas at El Paso; University of Texas at San Antonio; University of Houston; and the University of North Texas (November 2009).

Vermont: Stimulus funds proposed for jobs plan

Vermont Gov. Jim Douglas announced a plan to use \$8.7 million in federal stimulus funds for job creation programs, including broadband infrastructure, low-interest loans and workforce training. Major components of the new jobs bill include \$3.2 million to the Vermont Telecommunications Authority to help construct "last mile" telecommunications infrastructure to rural areas, \$2 million for the Vermont Economic Development Authority to lower the interest rate of the loans it makes to Vermont companies, and \$1 million to the Vermont Training Program for workforce training (January 2010).



Virginia: Jobs agenda supports biotech industry, additional \$50M for economic development

Virginia Gov. Bob McDonnell unveiled a legislative agenda that includes a \$500 income tax credit for each green job created (up to 350) and an income tax exemption on capital gains for qualified investments in technology and science startup companies. Additional measures would establish the Specialized Biotechnology Research Performance Grant Program for nonprofit entities engaged in research, development, and production related to molecular diagnostics and drug development that enter into a performance-based memorandum of understanding with the Commonwealth and a measure to create the Virginia Universities Clean Energy Development and Economic Stimulus Foundation to identify and administer funding for R&D of alternative fuels and clean energy production. Lawmakers recently passed a bill requiring 20 percent of any revenues and royalties from offshore natural gas and oil drilling to be invested in renewable energy R&D. The governor's amendments to the current two-year budget include an additional \$50 million for economic development incentives (January 2010).

Virginia: \$25M for medical research institute

Former Virginia Gov. Tim Kaine announced in December the creation of The Ignite Institute, a nonprofit medical research institute to be housed initially at the Center for Innovative Technology. The state would provide \$3 million from the Governor's Opportunity Fund and \$22 million in incentive grants, subject to General Assembly approval. The institute expects to draw \$200 million in initial financing and create 415 jobs (November 2009).

Wisconsin: Tax credits for angel and venture capital investments

The Wisconsin CORE Jobs Act is structured around three goals: creating new jobs and businesses, retaining and building existing Wisconsin businesses, and educating and training the work force. Provisions in the bill include expanding the Accelerate Wisconsin program by adding \$3 million more in tax credits for 2010, a microloan program to help entrepreneurs start their own small businesses, and creating an employee education investment tax credit. Gov. Jim Doyle also announced a new \$100 million revolving loan fund for manufacturers to reduce their energy costs called the Green to Gold Fund (November 2009 & January 2010).

Wyoming: \$59M for energy research

Lawmakers approved funding to support for research projects funded by the state's share of federal Abandoned Mine Land (AML) funds. The approved 2011-12 biennial budget includes \$45 million for continuation of carbon sequestration research and \$14 million for the Clean Coal Technology matching grant program (March 2010).