Tech-based Economic Development and the States: Legislative Action in 2011

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TECH-BASED ECONOMIC DEVELOPMENT AND THE STATES: LEGISLATIVE ACTION IN 2011

REGIONS
ACTIVITIES
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TAX INCENTIVES
TBED COMMITMENTS
RESEARCH
EDUCATION & STEM

Even as states struggled to regain fiscal solvency from the economic downturn, 2011 was an active year for legislative activity focused on tech-based economic development (TBED). A wave of new governors elected in 2010 ushered in the reorganization of economic development activities and bold proposals supporting economic growth.

At least six states enacted legislation or embraced plans to focus on a regional approach to economic development. Regional councils either were established or existing regional organizations received state funding in Nevada, New York and Ohio. In Tennessee, a new jobs plan was approved that focused on developing strategic plans for nine regions within the state. Meanwhile, Colorado developed a blueprint to support economic growth based on input from 14 regional plans, and Virginia's governor announced a plan to fund three efforts by regional public-private partnerships to stimulate the state's economy.

Many new governors also were successful in their efforts to privatize economic development functions, which proved to be a controversial move in some states. Arizona, Iowa, Nevada, Ohio, and Wisconsin created public-private partnerships or private nonprofit corporations to take the lead on state economic development activities.

In Georgia, Kansas and New York, TBED programs were tied more closely to states' economic development departments, including Kansas and New York merging stand-alone agencies into the departments. Consolidating line items or specific programs occurred in Pennsylvania and Washington. At the same time, Florida created a new state agency to oversee its economic development efforts.

Providing small businesses with access to capital during a nationwide credit crunch also proved to be a major theme for policymakers this year. Lawmakers in Arizona, Colorado, Illinois, Louisiana, Maine, Michigan, Missouri, Nebraska, and North Dakota enacted or expanded angel tax credits, and in Maryland the legislature passed a bill to establish a state-run venture capital fund. Several states also implemented new tax incentives to encourage job growth.

While significant reductions in public funding for higher education resulted in double-digit tuition increases in many states, some states including Connecticut, South Dakota and Virginia provided funding for new university-based research initiatives. Several states including Alaska, Kansas, Oregon, Texas, Vermont, and Virginia approved legislation to improve educational attainment in the state or increase the number of science, technology, engineering and mathematics (STEM) graduates.

FOCUS ON REGIONS

In 2011, there was increased focus on either planning or operating economic development on a regional basis.

EXAMPLES INCLUDE:

Colorado

Colorado Gov. John Hickenlooper unveiled in July the Colorado Blueprint: A Bottom-up Approach to Economic Development, a document that outlines his administration's plan for regional economic development based on input from all of the state's 64 counties. County summaries were combined into 14 regional statements, which formed the basis for development of six core objectives identified to grow the state's economy. Objectives include increasing access to capital and cultivating innovation and technology. The plan was updated in October to include tighter timelines and more specific measurable outcomes for achieving job creation targets.

Nevada

Focusing on a regional approach to job growth, Nevada lawmakers established a Catalyst Fund to provide grants and loans to regional development authorities as part of a measure (AB 449) that reorganizes the structure of the state's economic development department. The fund is seeded with $10 million in the FY12 enacted budget.

A report calling on Nevada to unify its operating system for 21st century economic development, support smart sector strategies in the regions, and set a platform for higher-value growth through innovation and global engagement was released in November. The state commissioned the economic development agenda, which builds on passage of AB 449 to reorganize and elevate the importance of the state's economic development activities.

New York

A budget agreement reached between New York Gov. Andrew Cuomo and legislative leaders adopted the economic development reforms set forth by the governor to establish a regional strategy for job creation. The approved budget allocated about $200 million in existing capital funds and tax credits to support 10 regional economic development councils serving as one-stop shops for all state-supported economic development and business assistance programs in each region. Under the budget agreement, the governor directed $30 million of his pot of capital projects funding, $100 million was obtained by canceling plans to construct a consolidated data center on the campus of SUNY IT, and $70 million in tax credits from the Excelsior Jobs program is being directed to support the efforts of the councils. Each council was tasked with developing a plan for regional economic growth.

A five-member panel was appointed in November to score and rank the plans submitted by the 10 regional councils. The top four plans, selected through a competitive process in December, were awarded $40 million each and the other six will split the remaining $40 million. A list of funded projects is available at: http://www.governor.ny.gov/press/12082011RegionalCouncils.

Ohio In Ohio, the newly created JobsOhio is working with six regional economic development organizations to coordinate economic development strategies and activities. The councils were invited to submit job creation proposals to compete for funds allocated through the Ohio Third Frontier Commission, established in 2002 to boost science and technology industries. Members of the commission, appointed by the governor, awarded $14.8 million to the regional partners in August. This included $4.1 million to Team NEO, $2.6 million to the Dayton Development Coalition, $2.3 million to Columbus 2020, $2.1 million to the Toledo Regional Growth Partnership, $2 million to the Cincinnati USA Partnership and $1.7 million to the newly created Appalachian Business Council. More information is available at: http://thirdfrontier.com/jobsohionetwork.htm.

Tennessee Tennessee Gov. Bill Haslam unveiled a four-part Jobs4TN plan focused on leveraging assets of each region to attract new companies and help existing businesses expand.

The plan includes a $50 million innovation strategy named INCITE for its focus on innovation, commercialization, investment, technology, and entrepreneurship. The initiative encompasses four components, including:

- Innovation Coordination — The Department of Economic and Community Development (ECD) worked with each of the nine regions to develop a strategic plan based on the region's unique assets. The plans were released in December and are available at: http://tn.gov/ecd/.
- Commercialization — ECD will launch new initiatives to help move products and technologies from the research lab to the marketplace faster. The approved budget included $10 million for the Memphis Research Consortium as part of this effort.
- Entrepreneurship — ECD announced in August a state commitment of up to $2.25 million to fund business accelerators in each of the state's nine regions.
- Co-Investment Funds — The state targeted $30 million in Federal State Small Business Credit Initiative (SSBCI) funds toward the creation of a venture capital fund called the INCITE Fund.

Virginia In June, Virginia Gov. Bob McDonnell announced a regional economic development competition to promote collaboration in economically distressed areas. Under the Building Collaborative Communities program, the state invited applications to fund three efforts by regional public-private partnerships intended to stimulate job creation, economic development and community development. An initial commitment of $200,000 in FY12 funding from the state is leveraged with additional funds from local and private resources. Activities funded include development of a regional strategic plan, benchmarking analysis, asset mapping, and implementation of a regional marketing plan. Matching funds of at least 50 percent are required.

REORGANIZING ECONOMIC DEVELOPMENT ACTIVITIES

Arizona
Florida
Georgia
Iowa
Kansas
Nevada
New York
Ohio
Pennsylvania
Washington
Wisconsin

A common theme in 2011 was reorganization of state economic development efforts.

In addition to the emphasis on regional economic development discussed previously, other approaches include privatization of economic development agencies, integration of tech-based economic development programs into state economic development agencies, and consolidation of existing programs. While more states were privatizing their economic development agencies, Florida created a new state agency to oversee its economic development efforts.

EXAMPLES OF REORGANIZATION INCLUDE:

Arizona Arizona Gov. Jan Brewer signed a comprehensive economic competitiveness package in February that eliminated the Arizona Department of Commerce, replacing it with a new Arizona Commerce Authority (ACA). The organization's new board is comprised of both business leaders and state officials. ACA will focus on attracting corporate investment in Arizona and oversee an annual $25 million deal-closing fund to encourage business expansion and relocation.

Florida Florida lawmakers approved legislation to reorganize economic development efforts by establishing a new government-run agency to coordinate programs and adding divisions to the public-private partnership, Enterprise Florida. The newly-established Department of Economic Opportunity will coordinate services and programs related to economic development, workforce development, community planning, and affordable housing. The economic development overhaul was proposed by Gov. Rick Scott in his State of the State address to consolidate and streamline services related to job creation. Enterprise Florida will remain the state's primary organization for economic development and continue to lead efforts to recruit and expand businesses. The Black Business Investment Board and the Florida Sports Foundation will become divisions within Enterprise Florida. Space Florida and Visit Florida will contract with Enterprise Florida, but remain independent.

Georgia To more closely align Georgia's efforts to market and promote strategic industries to existing and potential companies, Georgia's Centers of Innovation (COI) program was integrated with the Georgia Research Alliance (GRA). The move follows the legislature's decision to transfer funding for GRA's strategic economic development initiatives from the Board of Regents' Research Consortium program to the Department of Economic Development Innovation and Technology Division. The goal for integrating the programs is twofold: to develop strategies and tactics to maximize the potential for high-tech companies generated from university R&D to thrive in the state; and, to leverage the resources of Georgia's research universities to retain and recruit companies in industries considered crucial to the state's growth. The COIs provide technology-oriented support to businesses and startups in the areas of aerospace, agribusiness, energy, life sciences, logistics, and advanced manufacturing.

Iowa A new economic development public-private partnership called the Iowa Partnership for Economic Progress (IPEP) was established under House File 590 to replace the Iowa Department of Economic Development (IDED). IPEP is comprised of two separate entities — the Iowa Economic Development Authority and the Iowa Innovation Corporation. Both entities are tasked with promoting and marketing the state to attract new investments and jobs. The Iowa Innovation Corporation, a nonprofit organization, will focus its efforts on spurring innovation in the state with funding from public or private sources. The passage of the bill achieved one of Gov. Terry Brandstad's top campaign priorities to shift the state's economic development efforts away from government and more toward the private sector.

Kansas Kansas lawmakers concurred with Gov. Sam Brownback's recommendation to eliminate the Kansas Technology Enterprise Corporation (KTEC) and move some of its programs to the Department of Commerce. KTEC was established as a public-private initiative in 1987 to promote tech-based economic development. HB 2054 transferred the organization's duties to Commerce beginning July 1. Some of its programs will continue to receive state support, including KTEC's Entrepreneurial Centers, University Centers of Excellence, the Angel Investor Tax Credit Program, and the Mid-America Manufacturing Technology Center. The Experimental Program to Stimulate Competitive Research was moved to the Board of Regents. State funding was discontinued for KTEC's direct investment program and the Pipeline program, which provides funding and resources to entrepreneurs. Pipeline received an $800,000 challenge grant from the Kauffman Foundation to continue its efforts and to encourage private funding from alumni.

Nevada Nevada lawmakers last month passed AB 449, reorganizing the state's economic development efforts by establishing an Advisory Council on Economic Development, a Board of Economic Development, an Office of Economic Development within the governor's office headed by a new executive director, a Catalyst Fund to provide grants and loans to regional development authorities for business retention and expansion, and a new Knowledge Fund to develop and commercialize research and technology at the research universities and the Desert Research Institute.

The Advisory Council consists of the governor, lieutenant governor, the secretary of state and the majority and minority leaders of the legislature, with the lieutenant governor serving as chair. The council is charged with marketing the state based on a strategic plan developed by the executive director of the new Office of Economic Development. The Board of Economic Development consists of nine voting members serving four-year terms and includes the governor as chair, the lieutenant governor, the secretary of state and six members from the private sector. Two nonvoting members include the chancellor of the Nevada System of Higher Education and a member from the Governor's Workforce Investment Board. The economic development board will review and evaluate all economic development programs and make recommendations to the legislature for improvement.

New York In New York, lawmakers accepted Gov. Andrew Cuomo's recommendation to merge the New York State Foundation for Science, Technology and Innovation (NYSTAR) into the Department of Economic Development — a move that is expected to save about $1.9 million. The budget agreement provided funding for several NYSTAR initiatives, including the High Technology program, Centers of Excellence, Manufacturing Extension Partnership program, and the Research Development program.

Ohio Delivering on a campaign promise to privatize Ohio's job creation efforts, Gov. John Kasich in February signed HB 1, establishing JobsOhio, a new private, nonprofit corporation established to assume the business-incentive and job-creating functions of the Ohio Department of Development. The 2012-13 biennial budget authorized the state to transfer the liquor distribution system to JobsOhio, and with the transfer the state expects the proceeds will generate about $100 million per year. JobsOhio also can receive additional public and private funds.

Pennsylvania Pennsylvania lawmakers approved Gov. Tom Corbett's proposal to restructure the state's economic development efforts and encourage regional coordination by consolidating several programs within the Department of Community and Economic Development. Under the new Partnerships for Regional Economic Performance (PREP) initiative, the department will award grants on a competitive basis to a consortia of economic development service providers. This includes Industrial Development Assistance, Local Development Districts, Small Business Development Centers, and Industrial Resource Centers – entities that previously received line-item funding.

Washington Washington lawmakers approved a bill (SB 5764) to establish Innovate Washington, created as the successor to two long-standing and accomplished tech-based economic development organizations — the Washington Technology Center (WTC) and the Spokane Intercollegiate Research and Technology Institute (SIRTI). Innovate Washington will serve as the state's primary agency responding to tech transfer needs and strengthening university-industry partnerships. The agency also will coordinate the state's clean energy initiatives and develop a five-year business plan by Dec. 1, 2012, which includes plans for operating additional facilities in Vancouver, the Tri-Cities, and Bellingham.

Wisconsin Wisconsin Gov. Scott Walker signed legislation to replace the Wisconsin Department of Commerce with a new Wisconsin Economic Development Corporation (WEDC) - a public-private partnership focused exclusively on job creation. Other Commerce Department responsibilities were redistributed among other state agencies.

PROVIDING ACCESS TO CAPITAL

Most of the state legislative activity surrounding tech-based economic development focused on improving access to capital. Common approaches were angel investor tax credits and new investment funds.

EXAMPLES OF ACTIVITY INCLUDE:

Arizona

Arizona's angel investment tax credit, which was set to expire at the end of FY11, was extended through FY16 as part of the competitiveness package enacted in February. Under the new legislation, the asset cap for small businesses to qualify under the program was raised from $2 million to $10 million. The Arizona Commerce Authority is charged with determining eligible industry sectors. In addition, the package exempts investment in qualifying small businesses from capital gains tax.

Colorado

Colorado Gov. John Hickenlooper signed into law a bill to set up seed funding for bioscience companies using the growth of future income tax withholdings from the biotech and clean-tech industries. SB 47 takes 50 percent of the future growth of income tax withholdings from the clean-tech and bioscience industries and puts them in funds to be used as seed money for startup companies and inventions. It is expected to generate about $2 million per year for each industry.

Another measure (HB 1045) was enacted to expand eligibility for Colorado's Innovation Investment Tax Credit, which provides angel investors with an income tax credit equal to 15 percent of their investment in Colorado small businesses that are less than five years old and are involved in R&D. Originally, the program allowed investors to claim the credits for investments made during the 2010 tax year. Under the new legislation, investments made after 2010 are eligible until the remaining funds are exhausted. In addition, the rules regarding qualified businesses were loosened.

Connecticut

Measures modifying Connecticut's angel investor tax credit and recapitalizing Connecticut Innovations, a quasi-public organization supporting high-tech industries in the state, were passed under a comprehensive jobs bill during a special session convened in October. Specifically, the bill:

- Reduces the minimum cash investment to qualify for the angel investor income tax credit from $100,000 to $25,000. Aggregate new credits are limited to $6 million per year in FY2011-13 and $3 million in FY14; and,
- Recapitalizes Connecticut Innovations with $125 million over five years. Of that amount, $15 million is reserved for the existing pre-seed financing program, which provides capital and support services to businesses developing new concepts.

Illinois A new law (SB 107) in Illinois increases from 1 percent to 2 percent the amount the state can invest in the Technology Development Account, a "fund of funds" for investment in technology businesses. The funding can be used to fund R&D, market new products and expand workforce.

Louisiana Louisiana lawmakers approved a measure to re-establish an angel investor tax credit program providing a 35 percent transferable tax credit for angel investments until July 1, 2015. The credits are capped at $5 million annually. A prior law in effect from 2005 to 2009 allowed investors to recover up to 50 percent of their investment in in-state startups.

Maine Maine Gov. Paul LePage signed into law a measure expanding the state's seed capital tax credit program. Currently, the program provides a 40 percent tax credit for investments in smaller, in-state businesses involved in manufacturing, advanced technologies or out-of-state exports, while a 60 percent credit is available in areas of high unemployment. Under the new legislation, the 60 percent credit is available in all areas of the state. The bill also eliminated the up-front tax credit that investors currently receive for investments in private venture capital funds in favor of a 50 percent credit for investment by venture funds in eligible businesses.

Maryland Maryland Gov. Martin O'Malley's InvestMaryland initiative, designed to fill a financing gap for new startup technology companies, also won legislative approval. The program will invest at least $70 million in startup and early stage companies. The funding, which comes from auctioning premium tax credits to insurance companies, will be invested by private venture capital firms selected by the state's Maryland Venture Fund and an independent third party.

Nebraska A new angel tax credit (LB 389) was approved as part of the Business Innovation Act signed into law by Nebraska Gov. Dave Heineman. The bill provides up to $3 million in tax credits for investments made in small businesses primarily engaged in high-tech activities and requires a minimum $25,000 investment from individuals. The bill funds the tax credits by reducing the amount of credits offered under the Nebraska Advantage Rural Development Act from $4 million to $1 million.

North Dakota

In North Dakota, lawmakers passed HB 1057, a measure that updates the state's pooled angel fund legislation to extend eligibility to all pass-through entities and adds transferability for out-of-state investors or in-state investors who do not have a tax liability. The bill allows for pass-through entities such as Sub-S, LLP, LLC, etc., to earn angel tax credits and pass them through to the owner or member. It also creates an aggregate taxpayer lifetime limit of angel credits to $150,000 and increases from four years to seven years carry forward of unused tax credits. The pooled angel tax credit was established in 2005.

Ohio

Ohio's enacted budget for FY2012-13 included a tax credit for investment in Ohio companies. InvestOhio provides a 10 percent tax credit to individuals who invest up to $10 million in an Ohio small business, defined as a company with less than $50 million in assets or $10 million in sales. The tax credit is applied if the investment is held for two years.

TAX INCENTIVES

Delaware
Florida
Illinois
Louisiana
Maryland
New Jersey
Oklahoma
Pennsylvania
Utah
Vermont
Virginia
Wyoming

Implementing new tax incentives, extending current tax credit programs, and expanding the scope of existing credits to encourage job growth garnered support from lawmakers in several states.

EXAMPLES INCLUDE:

Delaware Several of Delaware Gov. Jack Markell's economic development proposals were approved by the legislature, including a measure to build on the state's expiring blue collar jobs tax credit program. The New Job Creation Credit, SB 40, updates the state's primary economic development tax incentive program by: eliminating a sunset provision to make the program permanent; better delineating eligibility for tax relief by establishing a three-year application deadline; increasing the amount of the corporate or personal income tax credits by 25 percent for each qualifying job; and, modifying the program's scope by including provisions specifically designed to attract manufacturers of advanced clean energy technology power-generating devices and systems. Specifically, manufacturers of clean energy products are eligible for 50 percent higher income tax credits and a lower gross receipts tax rate under the enacted legislation.

Florida In Florida, lawmakers passed HB 143 providing $10 million in tax credits to attract space-related businesses. The measure also allocated $7.1 million for R&D tax credits.

Illinois Illinois Gov. Pat Quinn signed SB 397 to extend the state's R&D tax credit by five years to 2016 and include a carryforward option for unused credit.

Louisiana Both the R&D tax credit and the Technology Commercialization Credit and Jobs program were extended another six years in Louisiana. Under the new legislation, both programs continue to provide companies with refundable tax credits of up to 40 percent for qualified R&D expenses and for investment in commercialization of Louisiana technology, respectively. Additionally, the legislation restructures the R&D tax credit for greater focus on Louisiana-based research activity. The corresponding bill numbers are SB 135 and SB 134.

Maryland Lawmakers in Maryland passed a bill (HB 587) that temporarily increased the age ceiling for biotechnology companies applying for the Biotechnology Investment Tax Credit. The new law applies to a company active for up to 15 years, up from the current 12-year limit. The FY12 operating budget included $8 million in tax credits for biotechnology investments.

New Jersey Two state programs supporting the technology and life sciences industries were expanded in New Jersey as part of the FY12 budget and separate legislation approved during the 2011 session. The FY12 budget signed into law by Gov. Chris Christie increased available funds from $30 million to $60 million through the Technology Business Tax Certificate Transfer Program. This restores funding back to FY10 levels for the program; the budget was reduced in FY11 to help fill a budget deficit. The program allows qualified biotechnology and technology companies to sell unused net operating losses and R&D tax credits to unrelated profitable corporations for at least 80 percent of their value.

Additionally, S 2980 increased New Jersey's R&D tax credit to 100 percent and will be phased in over the next two years. Previously, R&D spending in New Jersey was used to offset up to 50 percent of corporate tax liability. The new law allows R&D spending in the state to be used to offset all of the corporate tax liability.

Oklahoma Oklahoma Gov. Mary Fallin signed into law the Oklahoma Aerospace Engineer Tax Credit — reestablishing a tax incentive that was put on moratorium during last year's legislative session. The legislation extends tax credits of $5,000 a year for up to five years to engineers who are hired in Oklahoma. Under the law, companies receive a tax credit equal to 10 percent of the compensation paid to an engineering graduate from an Oklahoma institution of higher education. If the individual does not graduate from an Oklahoma institution of higher education, the company receives a five percent tax credit. The law also grants a tax credit of up to 50 percent of the tuition reimbursed to a new engineer graduate for the first four years of employment.

Pennsylvania In Pennsylvania, the FY12 enacted budget increased the state's cap on the R&D tax credit from $40 million to $55 million.

Utah Utah Gov. Gary Herbert signed into law the Technology and Life Science Economic Development Act (HB 496 Second Substitute) authorizing a one-time tax credit for the life sciences industry in the amount of $1.3 million. Companies were invited to submit applications for one of three types of tax credits: a refundable tax credit up to the amount of the new state revenue generated by a project for three consecutive years, a post-performance nonrefundable tax credit for up to 35 percent of an investment over three years, and a capital gains tax credit. In August, the Governor's Office of Economic Development board awarded the first tax incentives under the new Act to four life sciences companies.

Vermont A new R&D tax credit became available in January for Vermont companies that make eligible R&D expenditures in the state. Companies can claim a tax credit equal to 30 percent of the federal tax credit allowed in the taxable year. Although enacted in 2009, Vermont's tax credit became effective on January 1, 2011, because availability of the tax credit relied on an extension of the federal R&D tax credit.

Virginia As part of the amendments to the FY2010-12 budget, Virginia lawmakers appropriated $5 million to seed a new R&D tax credit program approved by lawmakers earlier in the session. Under the bill, companies can claim a 15 percent credit for qualified research, increasing to 20 percent if the research is done in partnership with a Virginia university. The program is capped at $5 million per year.

Wyoming Wyoming Gov. Matt Mead signed HB 143 into law, extending the sales and use tax exemption for manufacturing equipment from Dec. 31, 2011 to Dec. 31, 2017 and amending reporting requirements.

NEW COMMITMENTS TO TBED

Colorado
Connecticut
Michigan
Missouri
Nebraska
Pennsylvania
Virginia
West Virginia

While fiscal difficulties in the states restrained activities in investing in tech-based economic development, several states either made new commitments or expanded existing activities.

EXAMPLES INCLUDE:

Colorado

Colorado Gov. John Hickenlooper signed into law HB 1283 extending the state's Bioscience Discovery Evaluation Grant program through July 2018. The enacted budget included $5.5 million in FY12 from gambling tax revenues for the program to distribute proof-of-concept grants and provide support for early stage bioscience companies and infrastructure.

Connecticut

Connecticut lawmakers were called into special session in October and passed a comprehensive jobs bill (HB 6801) authorizing $626 million in bonds to support high-tech entrepreneurship, workforce development, and incentivize manufacturers, building on many of the new programs established during the regular session. In addition to modifying the angel investor tax credit and recapitalization of Connecticut Innovations described earlier, the bill:

- Provided $20 million in bonds to establish or enhance manufacturing technology programs at three community colleges;
- Doubled the limit, from 50 to 100, on the number of small manufacturing companies eligible to participate in the Manufacturing Reinvestment Account (MRA) program, which creates an account allowing manufacturers to defer business taxes on money they save for training workers or purchasing machinery, equipment or facilities. The bill also doubled from $50,000 to $100,000 the maximum annual amount a company may deposit in an MRA; and,
- Expanded the First Five program to provide assistance to up to five additional business development projects in FY12. Under the First Five program, the state combined benefits of the Reinvestment Tax Credit, the Manufacturing Assistance Act and the Job Creation Tax Credit to offer incentive packages to the first five companies who commited to creating a minimum of 200 full-time jobs within two years.

Michigan Combining the lending and support services of Michigan state agencies, national banks and energy industries, Gov. Rick Snyder announced in June a new public-private initiative called Pure Michigan Business Connect. Valued around $3 billion, the program aims to grow startup and second stage companies through lending commitments from banks and pledges from companies to increase purchasing from Michigan-based companies. For example, Huntington National Bank pledged $2 billion in lending over four years for commercial and small Michigan-based companies. Consumers Energy and DTE Energy each pledged to spend an additional $250 million over five years to purchase goods and services from Michigan-based suppliers. Less than six months later, Fifth Third Bank announced they would add $5 billion in loan access for Michigan-based companies, more than doubling the capacity of the program.

Additional components of the Pure Michigan Business Connect initiative include $100 million in economic development incentives and $25 million for a new innovation and entrepreneurship program available through the Michigan Economic Development Corporation (MEDC). MEDC awarded $25 million in July to eight organizations to support entrepreneurs in launching and growing start-up companies throughout the state.

Missouri Missouri Gov. Jay Nixon signed into law the Missouri Science and Innovation Reinvestment Act (MOSIRA) in October, nearly two years after first proposing the initiative. MOSIRA creates a funding source to grow research and technology companies by capturing a percentage of the growth in state revenue over a base year (FY10) from a designated group of science and innovation companies. The Missouri Technology Corporation will administer the funds, reinvesting them through loans and other means in programs designed to create jobs, nurture startups and bring science and technology companies to the state.

Nebraska

Nebraska Gov. Dave Heineman's proposal to support innovation, research and product development for small businesses and institutions of higher education was passed with unanimous support in the legislature. The Business Innovation Act (LB 387) included $7 million each year for grants to small businesses for the following activities:

- Phase 0, 1, and II SBIR grants capped at $1 million per year;
- Prototyping Fund capped at $50,000 per project or $1 million per year;
- Grants to individuals or businesses to support commercialization of a product or process, including market assessments and startup strategic planning, management and business planning support, linking companies and entrepreneurs to mentors, and preparing companies and entrepreneurs to acquire venture capital. A 50 percent match is required from non-state funds, and the program is capped at $2 million per year;
- Grants to businesses that use the faculty of a public college or university for applied R&D of new products or use intellectual property generated at a public college or university. Businesses can apply for up to two awards in any four-year period per project. Both phases of the program require a 1:1 match from non-state funds, and the program is capped at $3 million annually; and,
- A small business investment program providing microloan delivery grants capped at $1 million per year.

Of the $7 million appropriation, $5.6 million comes from new funds and the remainder is redirected funds from existing grant programs within the Department of Economic Development (DED).

Additionally, LB 386 creates the Intern Nebraska Act and allows DED to allocate up to $1,500 annually from the Job Training Cash Fund in FY12 and FY13 to provide internship grants to eligible businesses.

Pennsylvania

Pennsylvania's enacted FY12 budget funds a new line item of $9.9 million for the Discovered in PA, Developed in PA initiative to help entrepreneurs connect with state resources. The program seeks to develop and deploy regional experts to reach out to high-growth companies and provide them with access to services and financing to help grow their businesses. The Department of Community and Economic Development began accepting proposals in October from private and public sector entities whose mission includes economic development. Projects eligible for funding include ongoing or innovative new activities, programs, or events to promote entrepreneurship, encourage technology transfer, improve capacity building for regional economic development, or provide outreach to businesses.

Virginia

The legislation and amendments to the 2010-12 Virginia budget (HB 1500) approved by the General Assembly for attracting tech companies closely mirror components of the governor's economic development agenda presented to lawmakers earlier in 2011. Specifically, lawmakers approved $10 million for an Economic Development Incentive payment, which included:

- $6 million for the Commonwealth Research Commercialization Fund (CRCF) to authorize grants to technology firms, loans to construct wet-labs and for an SBIR matching program. Of this amount, $2 million is earmarked for matching grants for winners of Phase I SBIR awards from the National Institutes of Health; and,

- $4 million in new funding for the Center for Innovative Technology Gap Fund to provide seed stage equity investments in Virginia-based technology and science firms.

West Virginia

To help optimize the Research Trust Fund and the West Virginia Education, Research and Technology Park, TechConnect West Virginia, a nonprofit corporation established to facilitate tech-based economic development efforts throughout the state, received $250,000 in FY12 state appropriations. Lawmakers approved $750,000 for the initiative, which was later reduced by Acting Gov. Earl Ray Tomblin as part of an overall line-item veto that reduced the budget by $18.2 million. In his veto letter, the governor expressed support for TechConnect's efforts to spur technology development and commercialization.

Connecticut
Kansas
Michigan
Nevada
South Dakota
Virginia

While there was more legislative activity focused on capital issues, several states also addressed approaches to improve their state's research enterprise.

EXAMPLES INCLUDE:

Connecticut

In Connecticut, Gov. Dan Malloy's Bioscience Connecticut proposal, centered on renovating and expanding the University of Connecticut Health Center, won legislative approval. A goal of the proposal is to double federal industry research grants to drive discovery, innovation and commercialization. The initiative includes incubator space to foster new startup companies and a loan forgiveness program to attract more graduates in medicine and dentistry. New bonding totaling $254 million combined with previously approved bonding of $338 million, $203 million in private financing, and $69 million from the Health Center will pay for the project.

Kansas

The FY12 budget approved by lawmakers included $15 million in research grant money for three Kansas universities to expand programs in emerging industry sectors as proposed by Gov. Sam Brownback. The University Economic Growth Initiative provides $5 million each for animal health research at Kansas State University (KSU), cancer research at the University of Kansas (KU) Medical Center, and aviation research at Wichita State University. The universities must provide a dollar-for-dollar match.

Michigan

In April, Michigan Gov. Rick Snyder signed into law a measure expanding the scope of the state's 21st Century Jobs Fund allowing more industries involved in research and advanced technology to compete for funds through the program. The new legislation expands eligibility to include an even wider range of tech-based companies — information technology and agricultural processing. Additionally, the legislation gives the Michigan Strategic Fund Board flexibility to consider awarding grants and loans to any company that demonstrates significant advancement in any innovative technology.

Nevada Legislation to reorganize Nevada's economic development efforts also established the Knowledge Fund for development and commercialization of research and technology at the University of Nevada-Reno, the University of Nevada-Las Vegas, and the Desert Research Institute. An appropriation of $8 million each fiscal year is provided for the fund through an annual transfer from the operating budgets of the three institutions. The fund will be used to recruit and hire research teams, construct research labs, and provide matching funds for federal and private sector grants.

South Dakota South Dakota lawmakers established a new fund to improve research capacity at the state's six public universities. About $920,000 from the special performance improvement fund was awarded to support university research projects leveraged with federal and private matching funds.

Virginia Virginia Gov. Bob McDonnell signed into law HB 2324/SB 1485 amending the code governing the Innovation and Entrepreneurship Investment Authority to expand its board membership, create a Research and Technology Investment Advisory Committee to review applications for awards from the Commonwealth Research Commercialization Fund, and develop a comprehensive research and technology strategic roadmap for the state. The bill also strengthened the Eminent Scholar Researcher Recruitment program to acquire and enhance superiority at public qualifying institutions.

HIGHER EDUCATION INVESTMENTS & STEM INITIATIVES

Alaska
Kansas
New York
Oregon
Texas
Utah
Vermont
Virginia
Wyoming

While much of the emphasis on improving the research enterprise was focused on higher education, there also was increased interest in science, technology, engineering and mathematics (STEM) workforce initiatives.

EXAMPLES INCLUDE:

Alaska To ensure funding is available in future years for students who complete a more rigorous high school curriculum focused on math and science, the Alaska legislature set aside $400 million for performance-based scholarships in the capital budget. The FY12 operating budget also included $6 million in first-year funding for the program, which was available to high school students graduating in 2011. Lawmakers in 2010 passed legislation establishing the Alaska Merit Scholarship Program, but failed to provide a funding source. High-performing students, including those taking four years of math and science, are eligible for the scholarships, which provide up to $4,755 annually for postsecondary education and job training. The educational endowment was first proposed by Gov. Sean Parnell in 2009.

Kansas Kansas lawmakers approved a bill allocating $10.5 million per year to expand engineering programs and create a steady stream of graduates for businesses. Specifically, the University Engineering Initiative Act aims to increase the number of graduates to 1,365 per year by 2021. The money, which comes from lottery revenues, is split equally between three newly created funds for Kansas State University, University of Kansas and Wichita State and requires a 1:1 match from non-state sources. Another bill passed by the legislature adds $65 million in bonding authority for the University of Kansas' School of Engineering expansion project with debt service paid from special revenue funds of the university. Gov. Brownback signed both measures (Sub SB 127 and Sub. SB 154) into law in May.

New York New York Gov. Andrew Cuomo signed legislation in August to implement the NYSUNY 2020 Challenge Grant Program (A. 8519), which allows four university centers to apply for challenge grants of $35 million each to expand facilities and enhance research-focused programs. A total $140 million is available through the program, including $80 million in capital funding authorized under the new law and $60 million in existing SUNY funds. The law also enacts a tuition plan allowing each SUNY and CUNY campus to raise tuition by $300 per year for five years. The four research-focused institutions can implement an additional three percent increase upon approval of their challenge grant applications.

Oregon Oregon lawmakers passed a bill (SB 253) during the session that declared the mission of Oregon's education system should be to ensure that by 2025: 40 percent of adults have a bachelor's degree or higher, 40 percent have earned an associate's degree or post-secondary credential, and the remaining 20 percent have a high school diploma or equivalent.

Texas In Texas, lawmakers passed a bill creating the Texas Science, Technology, Engineering, and Mathematics (T-STEM) Challenge Scholarship Program. Under the bill, public colleges and universities can partner with businesses and industry to identify local employment needs in STEM fields. The Higher Education Coordinating Board will administer the program, and scholarship funds require a 50 percent match from private funds. In July, Gov. Rick Perry announced the Texas Guaranteed Student Loan Corporation donated $25 million for the scholarship program.

Gov. Perry also signed into law HB 3025, requiring students to file a degree plan with institutions of higher education no later than the end of the second regular semester or term detailing how and when they intend to achieve their degree. The idea is to graduate students earlier, especially those receiving full tuition scholarships who may linger longer than needed to complete a degree. The bill also requires students to obtain permission if they deviate from their plan.

Utah The approved budget for Utah Higher Education includes a one-time appropriation of $750,000 under the Governor's Excellence in Education Task Force to expand the Utah Cluster Acceleration Partnership (UCAP). UCAP initiates and formalizes partnerships between institutions of higher education and industry clusters vital to Utah's economy.

Vermont

Vermont lawmakers passed in May H 287 (Act 52), a package of economic development incentives, some of which are intended to enhance the state's innovation economy. The bill included a tax credit for recent college graduates working in science, technology, engineering, and mathematics (STEM) fields. Graduates hired before Dec. 12, 2012, working in an accredited STEM field and earning at least $50,000 can receive $1,500 per year for five years to help pay down student loan debt.

Virginia

The Virginia Higher Education Opportunity Act of 2011(HB 2510), also called the "Top Jobs Act," provides a roadmap for achieving an additional 100,000 undergraduate degrees over the next 15 years. The measure provides a new higher education funding policy, targeted economic and innovation incentives, and the creation of a STEM public-private partnership. In accordance with the legislation, the state's institutions of higher education completed six-year plans to identify the various initiatives they can pursue to help achieve the goals of the Top Jobs Act.

Wyoming

The Wyoming 2011-12 supplemental budget bill included $50 million in prior balance Abandoned Mine Land (AML) funds for phase I construction of the Michael B. Enzi STEM undergraduate teaching laboratory to be located on the University of Wyoming (UW) campus.