

**STRATEGY 4: MISSOURI WILL INVEST IN TECHNOLOGY AND INNOVATION TO ATTRACT, LAUNCH, AND SUSTAIN THE GROWTH COMPANIES OF THE FUTURE.**

**Tactic 4.1: Develop a Science and Technology/Innovation Fund in Missouri to facilitate the creation of best-practice capital-provision, support and infrastructure-development programs and projects.**

**Justification**

Dozens of U.S. states have reformed their budgets to dedicate significant monies to stimulation of innovation by local companies and institutions. Despite the fact that all signs point directly to a technology and information-based economy driving the majority of future job creation in America, Missouri is one of the few states to provide little in the way of direct investment in processes that can catalyze innovation and make Missouri communities and regions competitive for the jobs of tomorrow.

Several attempts have been made to rectify this situation, the latest being the failed passage of the Missouri Science and Innovation Reinvestment Act (MOSIRA) initiative in 2010, despite the fact that it was supported by nearly every regional business organization, college, university, and technology-focused association in the state.

This Strategic Initiative provides a *critical* opportunity to finally level the playing field for Missouri innovators, companies and research institutions for the numerous components necessary to stimulate innovation development, high-technology enterprise creation, attraction and retention of the world's top talent and

**Ohio Third Frontier**

Created in 2002, the Ohio Third Frontier is a \$2.3 billion initiative that supports applied research and commercialization, entrepreneurial assistance, early-stage capital formation, and expansion of a talent pool to support technology-based economic growth. The Ohio Third Frontier has impacted the following areas:

- Greatly increased the availability of early-stage equity investment capital;
- Improved the entrepreneurial environment for technology based companies;
- Fostered better R&D collaborations between Ohio's research institutions and for-profit companies;
- Facilitated employment growth in Ohio's technology sector;
- Enhanced the competitiveness of existing manufacturers; and,
- Attracted non-Ohio companies into the state.

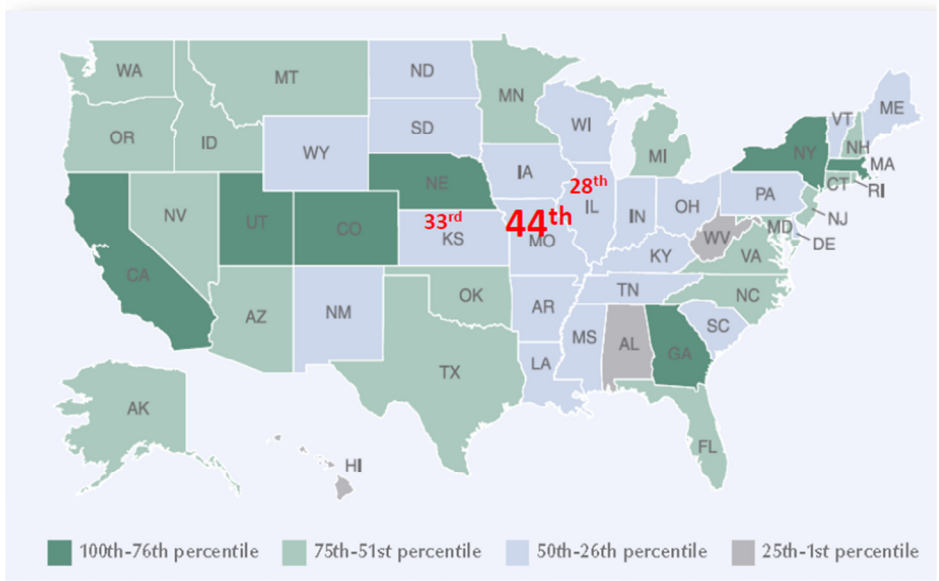
In May 2010, the Ohio Third Frontier program was extended through 2015.

Another best-practice effort worth emulating is the Edison Innovation Fund in New Jersey.

researchers and other indispensable cogs in the wheel of the modern world's economic dynamism.

To say that the stakeholder outreach conducted for the Strategic Initiative massively supported transformation of Missouri's capital-formation tools would be understating the clarion call made by experts across all party lines and affiliations to make Missouri competitive for the jobs being created in the New Economy. Funding and support for innovation received the highest number of votes by Regional Forum attendees prioritizing Missouri's future strategic direction in *every single meeting*.

Gazelle employment, job churning, fastest-growing firms, initial public offerings, entrepreneurial activity, and inventor patents.



Source: Kauffman Foundation

*Market Street* cannot state this more clearly: Missouri could position itself to be a global leader in the economy of the 21<sup>st</sup> Century by passing legislation directing state funds equal or greater than competitor states to investments supportive of cutting-edge research, technological innovation, pursuit of world-class talent, construction of state-of-the-art research and incubation facilities, launch and propagation of high-value technology start-ups and other information-age strategies.

If Missouri's capital-formation capacity continues to be anti-competitive, prospect companies could be attracted to states with greater resources; Missouri's top research talent could be recruited to states or companies offering monies to effectively fund their ideas; Missouri's top college and university students might choose to live in other states after graduation because they feature growing high-tech companies benefiting from a supportive climate for research commercialization and growth of gazelle firms. The list can go on. Missouri has a critical choice to make if it wants to capture today's most dynamic economic opportunities.

### **Actions**

The MOSIRA bill has been re-introduced in the 2011 legislative session. The bill would create a science and technology/innovation fund featuring the following components:

- Supportive of a 21st Century job creation strategy focusing on high-growth industries;
- Leveraging and expanding Missouri's existing strengths in science and innovation;
- Building the entrepreneurial infrastructure and culture necessary to support the growth of science and innovation companies in Missouri and its regions;
- Establishing an environment where new Missouri-based companies can grow and existing employers can compete and succeed in Missouri due to the state's commercialization and entrepreneurial strengths;
- Focused on creating, attracting, retaining, and growing science and innovation companies in Missouri;
- Catalyzing projects that leverage Missouri's corporate and institutional research capacity in science and innovation to create high-value jobs; and
- Providing competitive levels of capital to seed and sustain nascent technology-focused enterprises at all stages of their growth cycles.

MOSIRA funds could be used for, among other programs:

- Technology transfer/commercialization assistance.
- Capital formation awards.
- Innovation infrastructure such as incubators and wet-lab space.
- Proof-of-concept seed fund and mentoring program.
- Workforce development and talent recruitment programs.
- Opportunity fund to attract major federal or outside investments.
- Program to attract research faculty to state universities.
- Creation of a private equity fund to invest state dollars as a match to private equity/venture funds who would then invest in Missouri companies.

It is critical to note that funding for the program would not require a tax increase nor would it involve the use of general revenue funds. Similar to previous capital-formation legislative efforts, funds would be generated by capturing a small percentage of the new growth in gross wages accrued beyond a designated base year by employees working in Missouri within designated science and innovation fields.

MOSIRA funds could be reinvested strategically based on the expert advice of a bipartisan Advisory Board of science and business leaders to ensure that funded projects are innovation-based and generate the highest possible returns for Missouri residents.