

# High-Tech Initiatives

## Funding from High-Tech Investment Pool & Other Sources

(February 2001 to October 2008)

**Companies and initiatives/projects: \$121,534,245**

**\$15,132,113 to 30 companies projecting 764 high-tech jobs**

(Average award between \$400,000 and \$500,000)

**\$106,402,132 for 88 high-tech initiatives and projects**

### High-Tech Initiatives

ConnectKentucky \$5,000,000; Dataseam \$2,075,000; Growth Services \$300,000; Metacyte \$2,175,000; SKED \$204,900; Coldstream Redundant Power (Kentucky Technology Inc.) \$5,500,000; Louisville NUCLEUS \$3,000,000\*

\*The \$3 million is a set-aside.

### High-Tech Projects

Example: Center for Pharmaceutical Science & Technology, Cardiovascular Innovation Institute, EKV Business & Technology Center, MedCenter 3 Building, Bowling Green Center for R&D, and Murray Reg. Business and Innovation Center

## Innovation and Commercialization Center Program

The Cabinet for Economic Development's Department of Commercialization and Innovation (DCI) continues to manage the state's network of six regional Innovation & Commercialization Centers (ICCs) and seven local Innovation Centers (ICs). These centers operate to increase the quality of investments flowing to knowledge-based firms throughout Kentucky. The network also increases statewide knowledge of entrepreneurship, start-up processes, and investment practices, while providing value-added services to existing businesses, start-ups, and the investment community. The goal of the program is to increase the probability of Kentucky-based high-growth, knowledge-based businesses being created and funded. DCI continues an incentive program for the ICCs and ICs based on meeting performance metrics specified in their contracts.

### Performance Results Highlights (Per KSTC Fiscal 2007-2008 Annual Report)

<b>Results to Date</b>	<b>Total To-Date FY2002-2008</b>	<b>FY2008 ONLY</b>	<b>FY08 vs FY02 to 07</b>
<b>New companies formed</b>	<b>448</b>	<b>120</b>	<b>+ 36%</b>
Revenues generated	\$606 million	\$317 million	+ 110%
<b>Investments received</b>	<b>\$250 million</b>	<b>\$79 million</b>	<b>+ 46%</b>
Jobs created	2,724	791 (426 high-tech)	+ 41%
<b>Average salary</b>	<b>n/a</b>	<b>Over \$65,000</b>	
State tax revenue	\$8,323,695	\$2,295,640	
<b>Average cost for each job</b>	<b>\$3,571</b>	<b>\$2,852</b>	<b>20% less</b>

Total Cabinet investment in program operation: **\$9,727,681**

Net state cost (investment less tax revenue): **\$1,403,986**

Net state cost per new high-tech job: **\$515 (\$50,000 min. salary)**

## SBIR-STTR Matching Funds Program

The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Matching Funds Program was implemented in 2006 to encourage small businesses to explore their technological potential and maximize profit from commercialization. The nationally advertised program, the first of its kind in the nation, matches both Phase 1 and Phase 2 federal awards received by Kentucky-based small, high-tech businesses. This includes matching Phase 1 federal awards of up to \$100,000 to support exploration of the technical merit or feasibility of an idea or technology. Phase 2 federal awards, which support full-scale research and development, are matched by Kentucky up to \$500,000 on a competitive basis.

- **Since 2006, Kentucky has made 66 awards to 42 high-tech companies for over \$14 million in state matching dollars.**
- **These awards leveraged over \$22 million in federal awards.**
- **In 2008 alone, 27 matching grants (16 Phase 1 and 11 Phase 2) were made for \$8,259,540 to leverage \$13,291,706 in federal dollars.**
- **Seven high-tech firms have or are moving to Kentucky due to the program:**

<u>Company</u>	<u>Relocated from</u>
○ Advanced Dynamics	Utah
○ Transposagen Biopharmaceuticals	Pennsylvania
○ NeoCytex Biopharma, Inc.	Florida
○ Turbo Wheelchairs, Inc.	South Carolina
○ Bexion Pharmaceuticals, LLC	Ohio
○ 3H Company	Virginia
○ ATI	West Virginia

## Kentucky New Energy Ventures Fund

The Kentucky New Energy Ventures Fund is a state program that invests public funds in promising renewable and alternative energy companies in the commonwealth. The \$5 million fund was created during the 2007 Extraordinary Session under House Bill 1.

The fund is designed to: (1) grow Kentucky-based alternative fuel and renewable energy companies; (2) stimulate private investment in Kentucky-based alternative fuel and renewable energy enterprises; (3) expand the alternative fuel and renewable energy knowledge base, talent force and industry in Kentucky; (4) develop an alternative fuel and renewable energy resource network; and (5) build statewide awareness of the economic development opportunities offered by Kentucky's alternative fuel and renewable energy industry.

The fund provides either: (A) one-time grants of \$30,000 or (B) larger equity investments, which to date have ranged from \$250,000 to \$750,000. Both grants and investments must be matched dollar-for-dollar by the company.

As of August 2009, thirteen Kentucky companies were awarded \$1,550,000, leveraging over \$8.6 million in private investment. Ten of 13 awards went to rural companies (outside of Fayette and Jefferson counties). The program is managed by DCI and administered under contract to DCI by the Kentucky Science and Technology Corporation.

## **Commonwealth Seed Capital**

The Cabinet oversees Growth Services, LLC, which provides management services for Commonwealth Seed Capital, LLC. Commonwealth Seed Capital (CSC) is dedicated to creating high-technology jobs by providing seed capital for high-growth-potential, high-technology companies. Companies that CSC pursues are based on innovation, have a meaningful Kentucky presence, and are expected to generate significant profits for investors. CSC also invests in seed and venture capital funds that actively invest in these types of companies in Kentucky. As of October 2008:

- \$6.3 million invested in companies, creating 36 high-tech, high-wage jobs with an average salary of over \$63,000.
- \$11.5 million invested in funds, which in turn resulted in investments of \$30,869,427 into 18 Kentucky companies that created over 200 high-tech, high-wage jobs.

## **Annual BIO Convention and Governor's Reception**

In May 2009, the Cabinet participated in the annual Biotechnology Industry Organization (BIO) international convention, which attracted over 14,000 attendees. Governor Steve Beshear and a team of state officials attended and met with companies interested in doing business with and/or within the state. The Kentucky state pavilion occupied 1,500 square feet of floor space and provided individual exhibit stations for leading Kentucky universities, companies, and economic development organizations. The ninth annual Kentucky Governor's BIO Reception was held for invited guests, which was an excellent opportunity to promote the state's biotech activities.

## **Statewide Business Plan Competition**

A second annual statewide business concept and business plan competition was held in March 2009 among a combined 17 graduate and undergraduate student teams from Kentucky's public universities. The program supports entrepreneurship and the development of new high-growth ventures in Kentucky. The teams together earned \$100,000 in cash prizes and awards, which made this one of the top business plan competitions in the nation. To compete, some of the schools enlarged their business school programs and/or created entirely new internal competitions to produce entries for the state competition. For more information, visit [www.IdeaStateU.com](http://www.IdeaStateU.com)

## **Strategic Analysis of Technologies**

A strategic analysis of Kentucky's technology focus areas was conducted, which included an analysis of Kentucky's science and technology assets and capabilities, including nanoscience. The subsequent report confirmed Kentucky's primary technology focus areas as identified in the Kentucky 2002 Strategic Plan for the New Economy. It also identified new Fast-Start Strategies for technology subsectors where Kentucky has particular potential for market leadership. The report recommends actions to ensure that Kentucky's commercialization and innovation initiatives align with the state's technological resources. The study was conducted by an independent firm from North Carolina and is titled, "2007 Kentucky Science and Technology Assessment (Final Report – Kentucky Science and Technology Innovation Plan)."

## **I-65 Corridor WIRED Grant**

The Cabinet continues to lend its support to efforts funded by a Workforce Innovation in Regional Economic Development (WIRED) grant. The I-65 Corridor Project received a \$5 million grant over three years to address critical workforce gaps through an improved pipeline of secondary and postsecondary students; generate a culture that supports educational advancement and economic entrepreneurship through communication, networking, education, and training programs; strengthen corridor-wide analysis and planning; and increase innovation and entrepreneurship.

## **National Governors Association Policy Academy**

The National Governors Association (NGA) Center for Best Practices in 2007 selected Kentucky to participate in a year-long policy academy that involved working with nationally recognized NGA Center experts to identify economic policies to improve the commonwealth's competitiveness in the global economy. Kentucky's multi-agency team completed its work after meetings with NGA experts about best practices used to apply contemporary cluster analysis and innovation-based economic strategies. DCI Commissioner Deborah Clayton headed the team.

The Kentucky team focused on energy and worked with the NGA experts to identify economic policies that could help improve the commonwealth's competitiveness in the global economy. The focus ties into the "Energizing Kentucky" initiative, launched in April 2008, which has the goal of bringing together government, business, and education leaders to create a far-reaching and collaborative statewide energy policy.

## **Annual Idea Festival**

The Cabinet committed funds to co-sponsor the Annual Idea Festival in Louisville, September 23-26, 2009. The Idea Festival is a world-class event that attracts thousands of leading and highly diverse thinkers from around the globe to Kentucky to explore and celebrate innovation, imagination and cutting-edge ideas. The event has helped Kentucky earn the reputation as a leader in supporting innovative and creative thinking and brings to our state thought leaders from many creative industries. Idea Festival promotes breakthrough thinking by attracting attendees to many Louisville venues to discuss and connect ideas in science, the arts, design, business, film, technology, and education. For more information, visit [www.ideafestival.com](http://www.ideafestival.com)