

# ST. LOUIS POST-DISPATCH

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## Business leaders push state for high-tech funds

By **Angela Tablac**

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Missouri lags behind its neighbors in spending state funds on research and commercialization of new technology, and a group of business leaders says that needs to change. The group wants the state to commit \$17 million a year to catch up.

Officials of development councils and chambers of commerce, universities, venture capital firms and a bank plan to present on Sunday their "Grow Me State" initiative, a five-year strategy that depends on state dollars to start up new high-tech companies. The group expects to present its suggestions to Gov. Matt Blunt this week.

"Investment into activities like this has a (role) in job creation," said Jay De Long, vice president of capital formation and new ventures for the St. Louis Regional Chamber & Growth Association, one of the organizations pushing the initiative.

Missouri falls short of other states in putting up state funds for "capital formation," programs that pay for basic and applied research, and commercialization of technology, according to a paper released two weeks ago by Mark Parry, a professor of entrepreneurship and marketing at University of Missouri-Kansas City's Henry W. Bloch School of Business and Public Administration. The study was funded by RCGA, Advantage Capital, the Kansas City Area Development Council and the Bloch school.

Parry calculated that six neighboring states, on average, committed about \$2.79 per capita last year. He calculated that number by dividing the states' spending by their populations.

Missouri, Parry found, spent only 10 cents per capita for these programs in 2006. For Missouri to reach that \$2.79 figure, it would have had to invest more than \$16 million.

A lot of research is happening among the state's universities, but the number of startups from that research is low, he wrote in the report. "There seems to be a mismatch here between the inputs that Missouri has and the ability that Missouri has to turn those into viable, vibrant, high-potential firms," Parry said in an interview with the Post-Dispatch last week.

Based on this report, a group of business leaders releases Sunday its "Grow Me State" recommendations, asking Blunt and the legislature to:

— Establish a panel of top technology employers and financiers to advise the state on the five-year program.

— Provide a 25 percent tax credit on certain investments in startups. The tax credits would be capped at a total of \$5 million a year.

— Establish a program that would award 25 grants a year, each \$50,000, to help high-tech companies test the marketability of their ideas. The cost: \$1.25 million a year.

— Create a "seed capital" program that would be run by a private company. It would make up to 20 investments per year, ranging from \$250,000 to \$750,000, directed to startups bringing high-tech products to market. The cost: \$10 million per year.

— Encourage Missouri's 116 state and local pension funds to invest in high-tech companies within the state.

Gil Bickel, chairman of St. Louis Arch Angels investor group, said the tax credits would help startups find investors.

"Those tax credits are needed to increase the flow of capital in high-risk deals," he said.

Mike Mills, deputy director of the Missouri Department of Economic Development, said Friday that state officials were analyzing the group's initiative.

Mills said it was "impossible to say" at this point whether the program would be funded, because the legislature was just starting to draft the fiscal 2009 budget.

"There's a balance of the breadth of the governor's ... agenda and what the state can afford," he said.

Blunt has pushed for technology investment in recent years, but most of his efforts have been curtailed by the Legislature.

De Long estimated that the initiative's chances of funding were "over 70 percent, even in an election year."

Parry said it would take years before the funding of startups translated into job growth. But short-term "benchmarks," such as the number of startups stemming from university research, will help the state stay on track, he said.

"I don't think you can say, 'If we do this in five years, we can expect to see an impact on job growth,'" he said. "It's going to take longer than that."

**Rachel Melcer of the Post-Dispatch contributed to this report.**

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