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No more rodent MRIs – Ohio Third Frontier to focus only on startups with last $350M

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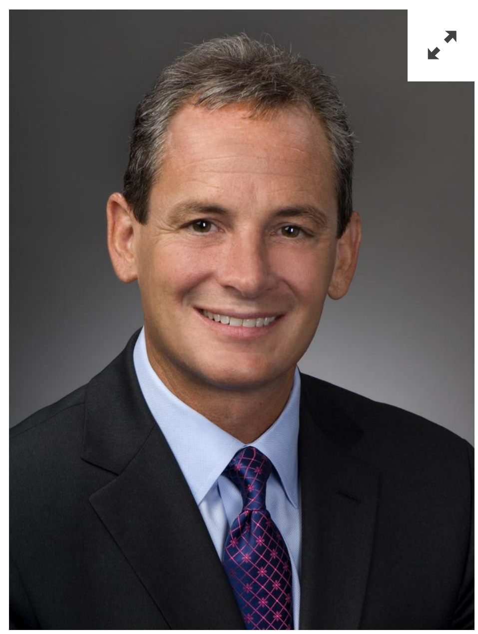
Ohio Third Frontier won't end this year – state officials have been slower than expected in awarding $700 million in bond money approved by voters for 2010 through 2015, so there's $350 million yet to spend.



David Goodman is director of the Ohio Development Services Agency.

And in contrast to the past 13 years in the overall $2.1 billion program, these last dollars will be directed almost exclusively to startup and early stage companies – and in the form of loans and investments rather than outright grants.

It’s not opening the floodgates, though. David Goodman, director of the Ohio Development Services Agency and chairman of the Third Frontier Commission, told me the money expended on startup programs won’t be significantly higher than annual awards in the past.

What it means is no more $3 million rodent MRI centers at the Cleveland Clinic, no more $5 million grants to Columbus corporations with combined net income approaching $5 billion. But maybe the state invests someday in a pharmaceutical spinoff that arises from the rodent research.

“This administration has really emphasized a need that when we spend taxpayer dollars, we’re getting a solid return,” Goodman said. “It’s taken time to evolve.”

While research and development was important at the program’s outset, he told me, now it’s time to harvest the fruits of those efforts in the form of “commercialization, jobs and capital investment.”

The Third Frontier Commission has set a $95 million budget for calendar 2015 that includes $60 million in seed capital for early companies, $30 million for the Commercial Acceleration Loan Fund and $5 million for small awards for prototypes and market studies.

The Development Services Agency would have the authority to access

A state Development Services Agency study of $1.4 billion in Third Frontier awards since 2006 found that only 29 percent, or $418 million, went toward programs to help startups: Either through operating funds to the regional tech incubation and investment centers such as Columbus-based Rev1 Ventures or direct loans and technology validation grants to companies.

(Rev1 – which has similarly refocused on startups – was awarded $9.2 million late last year to cover 2015 and 2016 operations, which it will match with $9.2 million from private contributions and services.)

Yet those programs by far yielded the most jobs and company revenue when compared to others investing in research centers, industry hubs and middle-market tech companies. Because about $1.3 billion of that $1.4 billion was in the form of grants, the state's investment return is in the form of property and income taxes and other economic activity from those companies.