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Minner plan would help businesses

PATRICK JACKSON

Staff

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Potential \$34 million fund targets initiatives, job losses

By PATRICK JACKSON, Dover Bureau reporter

Gov. Ruth Ann Minner said Thursday she wants to spend up to \$34 million in state money to help spark business expansion, research and innovation to counter the loss of 6,500 jobs in Delaware in the past three years.

In a speech to the Wilmington Rotary Club, Minner said economic development plans in her proposed capital budget for next year would help existing companies modernize, provide the venture capital young high-tech businesses need to grow and make the state more attractive to clean-energy and biotechnology industries.

The proposals could help struggling new businesses take off, said Lori Gipp, a vice president at Solstice Software Inc. in Wilmington. Her company, which sells software to Fortune 500 companies, used a similar state program in the mid-1990s to grow from five employees to 17.

"Venture capital can take you from being a mom-and-pop firm in a garage to a business with 25, 50, 100 employees," Gipp said.

Minner said the state's spending also could trigger \$16 million in federal grants and private investments. She said she sees the initiatives as long-term programs, but most of the money is committed only for the budget year that starts July 1.

"We're going to look at this at the end of the year and look at what works," Minner said.

Among the initiatives are:

°A \$3 million investment in a venture capital fund to provide money to up-and-coming companies looking to expand.

°A \$12.5 million grant fund to help businesses modernize equipment, launch new products and retrain workers.

°\$1.5 million for grants to entrepreneurs, including engineers or scientists leaving local companies, who want to launch a new small business.

°\$5.5 million over several years to bolster state university research and development, including establishment of a Clean Energy Research Center at the University of Delaware.

State officials said the programs would help address Delaware's reputation as a state where it's hard for new businesses to get a start. A study by the Council on Competitiveness, a national organization that assesses business conditions, ranked Delaware 46th in the nation for developing jobs in new sectors of the economy, based on 2001 data.

"This package will strengthen some of our largest employers, help launch fledgling start-ups, foster small businesses and advance Delaware's presence in some of the industries of the future," Minner said.

Most of the programs are from recommendations from two task forces Minner established to study ways to improve the state's

economic development programs, and assist businesses trying to develop renewable energy products such as fuel cells, solar panels and wind energy equipment.

Some of the initiatives involve investing tax money in potentially risky businesses.

The investment in a venture capital fund and grants to people starting new businesses would put state money into ventures that economic studies show have a high failure rate in their first 10 years of operation.

But some of the survivors end up as leaders in high-growth industries.

"You may invest in five companies and only two survive," Gipp said. "But if you look at the money they put back into the economy and pay in taxes over 10 years, you can get that investment back."

David Freschman, president of the Delaware Innovation Fund, said the state's investment is modest, but sends an important signal to investors throughout the Northeast. Delaware Innovation Fund is a \$10 million nonprofit venture capital fund that has operated in Delaware since 1995.

"It shows the state recognizes the importance of venture capital in developing new business, especially in the growth areas of high tech and biotech," he said. "It shows that we want to become a part of the venture capital community on the East Coast."

Minner wants the money invested with venture capital firms qualified to receive matching money from the U.S. Small Business Administration, which could bring the total to \$9 million. Private investment in the fund also would be encouraged.

A. Richard Heffron, of the Delaware State Chamber of Commerce, said there is a shortage of private venture capital in Delaware and government investment could help draw more private money into the state. The chamber has called for a state investment in venture capital in recent years.

The small business seed money included in Minner's proposals also would help new high-tech businesses. Companies recommended by a group of business experts could get up to \$50,000 for equipment, buildings and other expenses. The program also envisions using \$1 million to provide support services through the Internet.

Minner also called for putting \$10 million in the state's strategic fund, which provides money for a variety of training, research and site improvement programs. The fund also has been used to provide incentives to help lure companies to the state.

Members of the Joint Bond Bill Committee will decide the proposal's fate as they consider the state capital spending bill beginning in April. That legislation is traditionally passed without amendment by the full General Assembly in June.

Reach Patrick Jackson at 678-4274 or pjackson@delawareonline.com.

Photo Caption:

The News Journal/FRED COMEGYS

Gov. Ruth Ann Minner said the plan could trigger \$16 million in outside funding.

PLAN HIGHLIGHTS

Here are the major components of Gov. Ruth Ann Minner's economic development plan. All money would come from the state's capital budget for next year.

Delaware Competitiveness Fund: \$12.5 million for one-time investments to allow existing Delaware companies to modernize facilities, move to newer processes, add or diversify products, train workers in new procedures or to find buyers for idled facilities with an available, trained work force.

Venture Capital: \$3 million to be invested in a Delaware-focused private venture fund to help established nonpublic businesses pay for growth. The state would solicit bids from venture capital fund managers to create and operate the fund, and seek to add \$6 million in federal funds from a Small Business Administration program.

Seed money: \$1.5 million for equity or grants of up to \$50,000 for business start-up expenses such as lab equipment, office

space, patent filings or prototyping. The grants would be competitive and winners would be recommended by an outside team of experts.

Virtual Incubator: \$1 million to develop support services for start-up businesses available through the Internet, including legal advice, accounting, marketing, financial, patent and trademark services. Online services would include Webcasts, interactive sessions, chat rooms and self-paced learning modules.

Clean Energy Research Center: \$1 million invested over five years to develop a fuel cell research center at the University of Delaware in partnership with businesses. The investment could be matched by \$1 million in federal funds. An extra \$800,000 would go for grants to attract manufacturers of clean energy technology, such as photovoltaic cells, fuel cells and wind energy components.

Research aid: \$4.5 million over three years to join in a National Science Foundation program that helps states improve their scientific research capabilities. Each state dollar would be matched by two dollars in federal aid to link Delaware's colleges in a statewide partnership for biotechnology-focused research, education and economic development projects.

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