

Schedule 13
Funding Request for the 2014-15 Budget Cycle

Department: Office of Economic Development and International Trade

Request Title: Advanced Industries Accelerator

Priority Number: R-2

Dept. Approval by:

Kate W. 2/10/24/13
Date

- Decision Item FY 2014-15
- Base Reduction Item FY 2014-15
- Supplemental FY 2013-14
- Budget Amendment FY 2014-15

OSPB Approval by:

Paul M. ... 10/25/13
Date

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	5
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
Total of All Line Items	Total	-	-	-	5,000,000	5,000,000
	FTE	-	-	-	1.3	1.4
	GF	-	-	-	5,000,000	5,000,000
	GFE	-	-	-	-	-
	CF	-	-	-	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-
(4) Economic Development Programs, Advanced Industries (New Line Item)	Total	-	-	-	5,000,000	5,000,000
	FTE	-	-	-	1.3	1.4
	GF	-	-	-	5,000,000	5,000,000
	GFE	-	-	-	-	-
	CF	-	-	-	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number:

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments:

Other Information:



COLORADO

Office of Economic Development
and International Trade

Priority: R-2
Advanced Industries Accelerator
FY 2014-15 Change Request

Cost and FTE

- The Office of Economic Development and International Trade (OEDIT) requests \$5.0 million General Fund for FY 2014-15 and beyond for the Advanced Industries Accelerator (AIA) Program. This would maintain the same level of funding for the program on an on-going basis as created in H.B. 13-1001. Additionally, OEDIT requests 1.3 FTE to manage the overall AIA programs and specific grants.

Current Program

- The AIA Program, established in H.B. 13-1001, was created to promote growth and sustainability in advanced industries by providing grants to emerging, high-tech companies.
- The AIA grants will help drive innovation, accelerate commercialization, encourage public-private partnerships, increase access to early stage capital and create a strong ecosystem that increases the State's global competitiveness.

Problem or Opportunity

- Colorado's advanced industries are research and development intensive; they focus on science, technology, engineering and manufacturing ("STEM"). The high-tech focus provides opportunities for high-wage jobs and increased exports, which bring in economic benefits for the State.
- The economic impact of the Advanced Industries accounts for nearly 30 percent of the State's wage earnings, 30 percent of the total sales revenues across all industries within the State and, approximately 35 percent of the State's total exports. Such industries also represent more than 500,000 high-paying jobs.

Consequences of Problem

- If continued funding is not provided, the AIA program will be limited in the number of grants awarded and the broad vision of H.B. 13-1001 will not be realized.

Proposed Solution

- The solution is to continue the funding of the AIA to accelerate and capitalize on one of Colorado's strengths – its advanced industries. Such funding will create incentives for such industries and Colorado research institutions to work together and collaboratively to create technologies, products and new start-ups that provide the widest impact for Colorado.

FY 2014-15 CHANGE REQUEST
Priority: R-2 Advanced Industries Accelerator
Request Detail

Problem or Opportunity:

The Advanced Industries Accelerator (AIA) Program (HB 13-1001) was created in 2013 to promote growth and sustainability in the advanced industries by helping drive innovation, accelerate commercialization, encourage public-private partnerships, increase access to early stage capital and create a strong ecosystem that increases the state's global competitiveness. Advanced Industries (AI) are prime drivers of the U.S. and Colorado economy, comprised of engineering and R&D intensive companies that deliver products and services in industries ranging from aerospace to medical devices.

Colorado's advanced industries include: Aerospace, Advanced Manufacturing, Bioscience, Electronics, Energy, Infrastructure Engineering, and Technology and Information. The economic impact of these industries accounts for nearly 30 percent of the state's wage earnings, nearly 30 percent of the total sales revenues and approximately 35 percent of the state's total exports. Advanced industries also represent more than 500,000 high-paying jobs.

Colorado's advanced industries focus on science, technology, engineering and manufacturing ("STEM") and provide opportunities for high-wage jobs and increased exports. By continuing the funding of the AIA, it will allow for the acceleration of growth of these industries, providing increased economic benefits for the state.

The AIA Program will encourage and promote innovation and entrepreneurship across Colorado's Advanced Industries. Through the AIA Program, universities and industries are encouraged to collaborate to develop innovations that are commercially viable; such collaboration and alignment is essential to advancing innovations that produce economic benefits for the State, our region and the nation. The AIA Program will provide incentives to encourage stakeholders to overcome partnership obstacles in order to generate productive solutions and enable Colorado's leading research institutions and businesses to work together to address Colorado's greatest challenges and enhance Colorado's promising assets.

The Program will also encourage and engage Colorado's spirit of entrepreneurship by promoting policies that will better facilitate the commercialization of new technologies by the State's entrepreneurs.

Finally, such a program will encourage collaboration between universities, entrepreneurs and our state's manufacturing community to ensure that our state not only innovates and commercializes technologies but are scaled and able to produce the fruits of our innovation.

In creating this Program, the Office of Economic Development & International Trade (OEDIT) has reviewed best practices from other states such as Maryland, Ohio, Massachusetts and Arizona. Continuing funding for the AIA Program will allow for accelerated growth for advanced industries in Colorado, making the State more competitive economically today and a source of economic leadership in the future.

Proposed Solution:

H.B. 13-1001 transferred \$5.0 million General Fund into the Advanced Industries Acceleration Cash Fund and provided spending authority out of the fund for FY 2013-14. This funding request would maintain the same level of funding for the program on an on-going basis. In addition, for transparency and tracking purposes, OEDIT is requesting that a separate line item in the Long Bill be added for the AIA Program.

Continued funding for the AIA Program will accelerate and capitalize on one of Colorado's strengths – its advanced industries. Such funding will create incentives for such industries and Colorado research institutions to work together and collaboratively to create technologies, products and new start-ups that provide the widest impact for Colorado.

The Advanced Industries Acceleration Cash Funds will be used to fund proof of concept, early stage and retention, and infrastructure grants, thus supporting each stage of the business development pipeline. Up to five percent of the Funds will be used to further develop the marketing, diligence tools, resources, collaboration and stakeholder engagement necessary to ensure a successful program. It is anticipated that up to 5 percent will be used for administrative expenses including funding an additional 1.3 FTE. The entire remaining amount will be used for fund grants. The 1.3 FTE was included in the Legislative Council Fiscal Note for H.B. 13-1001; however, it was not included in the final version of the bill. Therefore, OEDIT is asking for authorization for the FTE at this time. The FTE will be required to manage the overall program and the specific AIA grants on an on-going basis.

Anticipated Outcomes:

Pursuant to H.B. 13-1001, all rules for the AIA program were required to be completed on or before September 1, 2013. Rules, review committee infrastructure, and the application process were created during the first quarter of FY 2013-14.

The AIA program is a quarterly grant program with the first grant cycle commencing on the first day of the second quarter of FY 2013-14 (October 1, 2013). OEDIT has received 77 applications for proof of concept and early stage grants. The total amount of the grant requests is approximately \$19.0 million and 55 of those applications are across multiple Advanced Industries.

Such applications do not include bioscience applications as these will be received and reviewed under the current Bioscience Discovery Evaluation Grant program - a program that will be maintained separately until its merger into AIA. Based on such high level interest and initial applications received during such first grant cycle, we are anticipating fully deploying all funds during FY 2013-14 and may even deplete such funds during the second grant cycle commencing January 1, 2014.

Top line metrics that will be measured for this project include:

Economic Growth

- Net New Jobs

- New Start-ups
- New Products or Services
- AI Exports

Leveraged Funds (Federal, Private and Institution)

Innovation

- Number of Ideas (All POC Applications)
- Number of Patents or IP advancements
- ROI in Innovation Spend (Follow-on capital)

Productivity

- Value of the innovation pipeline (value of POC Grants)
- Value of the ESCR company growth projections
- Value of new Start-ups
- Average new Revenues Per Start-up and Early Stage Company

Viability

- Number of Start-ups and Early Stage Companies viable in 1, 2 and 5 years

The Economic Growth metrics referenced above relate directly to the department's top line goals. While it is difficult to predict outcomes at this early stage of the AIA implementation, based on self-reporting in initial applications, such applications include an innovation pipeline valued at approximately \$2,400,000 for the first year. OEDIT is currently working to leverage State funds to attract federal funds for infrastructure projects. Based on two existing projects, the AIA program may deploy \$2.0 million for an infrastructure project that could potentially attract an additional \$2,000,000-\$4,000,000 in federal funds per year.

Assumptions and Calculations:

H.B. 13-1001 created a 10 year program for Advanced Industries but the General Fund was only appropriated for the first year. The primary assumption for this request is that all funding will be fully deployed within this fiscal year, and therefore new funding will be needed to carry out the mandate and objectives of the AIA.

OEDIT is structuring the program based on best practices from other states such as Maryland and Ohio. In 2012 alone, the *Technology Commercialization Program* of Maryland's Technology Development Corporation (TEDCO) assisted 165 companies by the funding of 184 research projects with \$15,000,000 in grant funds. Furthermore, Maryland's *Technology Validation Program* awarded \$6.0 million in grant funds, which resulted in the licensing of 43 technologies and the creation of 53 start-up companies. Since the inception of Ohio's Technology-Based Economic Development (TBED) programs in 2002, \$681.0 million of grant funding has been awarded, resulting in the creation of 41,300 jobs, \$2.4 billion of employee wages, and \$6.6 billion of increased economic activity. The return on investment of the TBED programs has resulted in \$10.00 of economic activity being generated for every \$1.00 of grant funds awarded.

The 1.4 FTE calculation is below:

Expenditure Detail			FY 2014-15		FY 2015-16	
<i>Personal Services:</i>			FTE	\$	FTE	
	AIA Director	Monthly Salary	0.9	109,992	1.0	120,000
		\$ 10,000				
	PERA			11,164		12,180
	AED			4,400		5,280
	SAED			4,125		5,100
	Medicare			1,595		1,740
	STD			209		228
	Health-Life-Dental			4,421		4,421
	Subtotal Position 1, 1.0 FTE		0.9	\$ 135,906	1.0	\$ 148,949
	AIA Grant Administrator	Monthly Salary	0.4	21,600	0.4	24,000
		\$ 5,000				
	PERA			2,192		2,436
	AED			864		1,056
	SAED			810		1,020
	Medicare			313		348
	STD			41		46
	Health-Life-Dental			4,421		4,421
	Subtotal Position 2, 0.4 FTE		0.4	\$ 30,241	0.4	\$ 33,327
	Subtotal Personal Services		1.3	\$ 166,147	1.4	\$ 182,276

<i>Operating Expenses</i>						
	Regular FTE Operating Expenses	500	1.4	700	1.4	700
	Telephone Expenses	450	1.4	630	1.4	630
	PC, One-Time	1,250	1.4	1,722	1.4	
	Office Furniture, One-Time	3,473	1.4	4,862	1.4	
	Other			-		
	Other			-		
	Other			-		
	Other			-		
	<i>Subtotal Operating Expenses</i>			\$ 7,914		\$ 1,330
<u>TOTAL REQUEST</u>			1.3	<u>\$ 174,061</u>	1.4	<u>\$ 183,606</u>