

Top Ten Policies for the Innovative State

by Scott Doron, Director, Southern Technology Council

October 2011

Innovation is the only way out of the current economic malaise. Innovation has always sparked economic advancement: new knowledge and processes, new connections and insights. The first technology was a rock used as a hammer; the latest, to pick among many, is the iPad.

Agreement about the value of innovation is not in question; methods of achieving innovation, however, very much are. To help states assess their innovation environment, members of the Southern Technology Council created a set of policies for the establishment of the innovative state. Members completed surveys and met to discuss the merits of each recommendation, followed by voting to determine winners.

The final recommendations and examples tilt towards creating companies and strengthening research, falling across five domains:

- Funding
- Research
- Regulations and Taxes
- Workforce
- Leadership

The recommendations below serve as a checklist for your state's innovation environment.

1. Establish funds in targeted industries to seed new companies.

In **Missouri** TechLaunch, pre-seed funding is awarded to entrepreneurial start-ups for intellectual property development and evaluation, including in-depth market analysis, competitive analysis, proof of concept, and prototype design and development.

Tennessee's Technology Maturation Fund helps scientists, inventors and entrepreneurs realize the commercial potential of innovative technologies. The fund moves promising technologies from the lab to the proof-of-concept or prototype stage to attract additional investor support or secure third-party licensing deals.

“Agreement about the value of innovation is not in question; methods of achieving innovation, however, very much are.”

2. Provide funds to hire world-class researchers for the state's universities in disciplines tied to targeted industries.

Kentucky's Bucks for Brains program matches university funds to attract top researchers and has invested over \$350 million within the state.

3. Establish tax credits or grants for private sector R&D, especially when conducted by small businesses and partnered with state universities or federal laboratories

The **West Virginia** Research Foundation Fund provided \$35 million for West Virginia University and \$15 million for Marshall University to fund research. The schools have seven years to raise private matching funds to draw on the money.

4. Make available incentives for university research to create companies from academic pursuits.

The **Oklahoma** Technology Commercialization Center works with companies, inventors, researchers and entrepreneurs to spur company creation. Activities include business consulting, access to capital, and technology assessment.

5. Provide state tax credit for angel and venture capital investments.

The **Arkansas** Equity Investment Incentive Program is a discretionary incentive targeted toward new, technology-based businesses that pay wages in excess of the state or county average.

With the **Louisiana** Angel Investment Tax Credit, investors receive refundable Louisiana income or corporation franchise tax credits up to 35 percent of the money invested in a business certified by the state's economic development organization.

6. Establish a task force to create optimal taxes, regulations, and incentives for entrepreneurs and company creation.

The **North Carolina** Research Triangle Economic Development Legislative Action Agenda suggests "a comprehensive review of the regulatory environment to identify areas that impede or slow job growth and business success" in order to "facilitate and expedite job growth."

7. Provide incentives to promote math and science-orientated college students into STEM teaching careers.

The goal of the Engineering Academy Initiative for **Alabama** (EAIA) is to increase the number of high school graduates selecting engineering as a career. EAIA accomplishes this by providing high school students with curriculum and processes for advanced pre-engineering college mathematics and sciences.

8. Increase career awareness and assistance for trade vocations important to science and technology companies.

South Carolina K-16 Education Partners has established two pathways to impact the education of Science, Technology, Engineering and Mathematics (STEM) cluster engineers, technicians, and other STEM professionals. The pathways facilitate the development of both engineers and engineering technicians through the implementation of two parallel K-16 Rigorous Programs of Study.

9. Create a joint house/senate committee on science and technology to advise the legislature on technology issues.

The **Virginia** Joint Commission on Technology and Science studies all aspects of S&T issues to advise on the development of technology and science policies and legislation.

10. Fund a state organization, with a multi-year funding mechanism, to create innovation-based jobs and companies.

The **Georgia** Research Alliance (GRA) operates as an independent not-for-profit entity governed by leaders from industry and academia. GRA has leveraged \$525 million in state funding into \$2.6 billion of additional federal and private investment.

The mission of the **Mississippi** Technology Alliance is to drive innovation and technology-based economic development. The Alliance's activities include innovation, entrepreneurship, and capital formation.

In keeping the list to ten top priorities, many other worthwhile recommendations were squeezed out. For example, one popular recommendation that didn't make the final cut suggested the creation of mentor programs between experienced business people and young entrepreneurs.

Most states have enacted some of the recommendations; few states have enacted all. And, program quality, rather than just a check mark beside a strategy, is key. Still, states with high quality efforts in each recommended area have created the basic petri dish in which an innovation economy can grow.

Southern Growth Policies Board is a non-partisan public policy think tank based in Research Triangle Park, N.C. dedicated to strengthening the South's economy and creating the highest possible quality of life. Formed by the region's governors in 1971, Southern Growth conducts research and provides a forum for policy deliberation and collaboration among elected officials, citizens and leaders from business, academia, and economic and community development. Southern Growth works in the areas of technology and innovation, globalization, workforce development, community development, civic engagement and leadership.