



Ohio Eyes Third Frontier Renewal: \$1.6B, or More, for Commercialization

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By Alex Philippidis

DUBLIN, Ohio — Ohio intends to launch a second Third Frontier Project that could at least match, and possibly exceed, the existing \$1.6 billion research and tech-commercialization effort set to expire in 2012.

But the state may cut other economic-development programs in the coming year, Lt. Gov. Lee Fisher told *BioRegion News* at the annual conference of the Buckeye State's life sciences industry group, held here last week.

Fisher, who also serves as director of Ohio's department of economic development, told attendees of the BioOhio Annual Conference that officials have agreed to go before state voters "in either 2011 or 2012, and ask them not only to renew, but perhaps even to expand the Third Frontier."

The new Third Frontier, he said, would focus on assisting small businesses versus academic and nonprofit research institutes that are often the source of life-sci startup companies.

"When I say small business, that includes early-stage business as well as the traditional small businesses of Ohio that are [our] backbone," Fisher said at the conference, held at the Embassy Suites Hotel in this Columbus, Ohio, suburb.

Minutes later in an interview with *BioRegion News*, Fisher said officials had not decided whether to spend more money in a second Third Frontier compared with the first, let alone how much money Ohio would set aside for a renewal of Third Frontier — a program he oversees directly as chairman of the state Third Frontier Commission.

"It's premature to say how much we'll commit. But we're very open to the possibility of having an even larger Third Frontier program. But I don't want to put the cart before the horse, because in a tight economy, you can't predict what resources you'll have. In the ideal world, would we want to expand Third Frontier? Absolutely," Fisher told *BRN*.

State and broader US financial markets are getting tight enough, he said, that Gov. Ted Strickland and other Ohio officials have not ruled out cutting back on several other existing, and less costly, programs that have benefited life-sci and other tech companies. For instance, expiring next year is the state's program of technology tax credits for tech companies, which would require renewal to continue assisting companies past the June 30, 2009, end of the current fiscal year.

"I think the dollars will continue to be available for Third Frontier, but the truth of the matter is, in a tight state economy, everything is subject to cuts, and there are no exceptions. No decisions have been made on the next budget," Fisher said. "I cannot make any guarantees that there won't be cuts."

If those cuts take place, they will heighten the importance to life-sci and other tech companies of economic development programs funded through bonds rather than the state's operating budget. These include the nearly \$1.6 billion stimulus act Strickland signed into law in June [see [related story](#), this issue].

Just last week, the latest piece of Third Frontier emerged when the Third Frontier Commission issued a formal request for proposals from Ohio higher education institutions and non-profit research organizations seeking state funding for tech commercialization projects requiring "major" capital acquisitions and improvements

The commission's new Wright Projects program will award grants of up to \$3 million toward "biomedical and instruments" projects as well as those in the advanced/alternative energy, advanced propulsion, and instruments, controls and electronics sectors.

Would-be Wright Projects program participants must submit a letter of intent to respond to the RFP no later than 2 pm on Nov. 25, with proposals due no later than 2 pm on Jan. 9, 2009.

The RFP and more information about the Wright Projects program is available [here](#).

'Firmly Committed to Renewal'

Fisher's remarks about renewing Third Frontier follow a recommendation to that effect in the state's 109-page economic-development plan, released last month: "We are firmly committed to renewal and improvement of the Ohio Third Frontier Program, currently funded through 2012, with a continued focus on supporting the five stages of commercialization."

Ohio, Home of Innovation and Opportunity: A Strategic Plan for the Ohio Department of Development, available [here](#), listed "bioscience and bioproducts," such as biofuels, as one of nine industry sectors it said Ohio should focus on growing through its job attraction effort. The other eight are advanced energy and environmental technologies; aerospace and aviation; agriculture and food processing; corporate and professional services; distribution and logistics; instruments, controls, and electronics; motor vehicle and parts manufacturing; and polymers and advanced materials.

Fisher credited Third Frontier with helping draw to Ohio \$9 in private or federal dollars for every \$1 spent by the state, as well as helping create more than 15,000 direct and indirect new jobs and launching 466 new companies since the program took effect in 2002 under Strickland's predecessor as governor, Bob Taft.

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That number is one-third above the 380 early stage technology companies cited as having been directly assisted by Third Frontier in the strategic plan. Those companies created 5,640 direct jobs with an average salary of nearly \$67,000 per year, as well as 8,460 indirect jobs, the report stated.

"We believe it is a remarkably successful program," Fisher said.

Strickland and Fisher have promised to maintain Third Frontier, and build on its successes.

"The thing that is wonderful about that is that it got started under a Republican administration, and carried on and expanded under a Democratic administration. That's cool," said Anthony Dennis, president and CEO of BioOhio.

Dennis also chairs a seven-member advisory panel of life science industry and academic leaders charged with mapping out spending for the \$100 million available for the industry under the stimulus measure. Speaking with *BRN* at the conference, he said a second round of Third Frontier money should address "a couple of things that we did not do the first time.

"The first time, we were establishing a lot of new ground. The second time around, we should probably look at re-funding successful companies" as they grow into more mature stages, he said.

"You should almost think of it as a venture capital investment. There are some of them [companies previously funded by Third Frontier] that need a second tranche. We've made that first tranche investment and they've done well," Dennis said.

Another area a second round of Third Frontier funding should address, he said, was cross-connecting technologies, such as biotech and informatics, or biotech and nanotechnology.

"It's clear that there's a lot of innovation opportunity, and there's a huge amount of product opportunities through these technology cross-sections, and there will probably be more of a push to do that," Dennis said.

Baiju Shah, president and CEO of BioEnterprise, a Cleveland-based healthcare business acceleration initiative, told *BRN* Ohio should largely, but not entirely, maintain Third Frontier's focus on tech commercialization.

"There is much more good leverage by state dollars of private or non-state dollars when it is invested into the commercialization stages," which he said reached as high as \$24 from non-state sources per \$1 from the state, compared with \$5-\$6 per \$1 of research spending. Commercialization involves investing in funds that can draw even more funds to companies than research, he said.

Still, Shah added, "you can't just shift all your money in that direction.

"What we would hope for in the next Third Frontier, is continued balance, but maybe with a little bit more shift towards [assisting] companies," said Shah, a member of the state's seven-member advisory panel for spending the \$100 million in biomedical funding available in the company-focused stimulus bill.

Dennis said Third Frontier, like the stimulus measure, will prove more important to Ohio companies in the coming year as the state tightens its budget: "These programs are not going to get cut, because they don't come out of the general revenue budget."

As for next year's budget, "I think what the state is going to do, my guess, is that they'll probably do an across the board cut" similar to the \$540 million, 4.75-percent, nearly across-the-board cut announced by Strickland in September, Dennis said. It was the second such reduction this year; the governor sliced \$733 million in spending in January.

"General revenue is going to get whacked," Dennis predicted.

'What Could Work Even Better?'

During his address, Fisher said two state officials — the Third Frontier Commission's executive director Norman Chagnon, and John Griffin, director of the state economic development department's technology division — and others in the division would meet with employers in the life sciences and other tech sectors "over the next number of months, asking all of you what works, [and] what could work even better"

"And as we look for an even bolder and more robust Third Frontier program, how do we fashion it? And how do we sell it?" the officials will ask employers, according to Fisher.

Fisher told *BRN* the meetings would take the form of focus groups held in each region of the state: "Basically, we'll do an intensive session about what has worked, what has not worked, and what can be improved. And once we do that, we'll have a much better sense of the direction Third Frontier will take."

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