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Wednesday, Dec 31, 2003

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## The Beacon Journal

## Editorial

Posted on Mon, Dec. 29, 2003

AKRON BEACON JOURNAL

### Frontier knowledge

The map to Ohio's high-tech future must be carefully drawn. A report questions directions in the Third Frontier Project

Although voters last month rejected floating bonds to expand the state's high-tech job development program, the Third Frontier Project remains on track to spend more than \$100 million a year over the next decade. The money represents a crucial investment as Ohio weathers a painful economic transition. A new report wisely emphasizes the existing money must be spent with clear and realistic expectations and precise accountability.

The report, by Cleveland-based Policy Matters Ohio, focuses only on the Third Frontier Action Fund, a small but long-running element of the Third Frontier Project. The fund is expected to disburse \$150 million to companies, universities and non-profit research organizations.

It has been up and running since 1998, under the administration of George Voinovich. The fund was later expanded by Bob Taft, Voinovich's successor in the governor's office, who made it part of the Third Frontier Project.

Researcher Zach Schiller examined the impact of \$55 million (in 80 grants) made by the fund over the past five years. What he found was encouraging in some respects, but not in others.

There is strong evidence the grants played a vital role in attracting venture capital, meeting a widely recognized need in the state and the key initial goal of the program. But the evidence is not decisive when it comes to the more recent objectives of product development and jobs.

The single largest recipient of grants under the program, an initiative to develop microtechnologies capable of operating in extremely harsh environments, for example, has received a total of \$4.8 million. It

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promised `` meaningful job growth."

Yet despite leveraging \$35 million, the Glennan Microsystems Initiative has not yet marketed a product. It has generated fewer than 20 new commercial jobs.

In another case, a venture capital fund that received a state grant invested in a company that advertised helping Ohio employers scout facilities in China. In three other cases, grants were given to companies that later moved from Ohio.

While rules on moving have been tightened, with grant recipients facing the possibility of being forced to pay the state back with interest, the report underscores that overall accountability still needs work and that many projects have payoffs that will take more than five years to reach.

Grant recipients are required to report to the Department of Development every quarter, but Schiller found that the department does not keep a list of when it has withheld funds because of questions about performance.

The defeat of state Issue 1, the 10-year, \$500 million bond issue Taft hoped to make the final piece of the Third Frontier Project, reinforced the difficulty (outside of Northeast Ohio) of getting voters to understand the need for sweeping economic change.

The public certainly needs to swing behind the need for a long-term commitment to fund technological development in the state. The task will only be more difficult without clear goals and expectations for grant recipients, realistic time frames to verify progress and detailed follow-ups. If public support is to grow, it won't be based on a fancy name or a few catchwords, but on accurate documentation and a credible means of evaluating progress.

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