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STUDY SAYS THIRD FRONTIER GRANT PROGRAM FAILS TO CREATE 'SIGNIFICANT NUMBER' OF JOBS, LACKS OVERSIGHT

Governor Bob Taft's Third Frontier Action Fund has had only a slight impact on the commercial economy thus far despite the distribution of \$55 million in grants since 1998, an analysis from a nonpartisan, nonprofit research organization concluded Friday. Policy Matters Ohio in Cleveland said the program suffers from serious deficiencies and has not delivered a significant number of new jobs.

Release of the report came in advance of a Controlling Board meeting Monday at which the Department of Development will seek approval of an additional 12 grants worth \$10.6 million.

"Though it's still early and more new products could come out of the program, commercialization results so far are not substantial," the Policy Matters report said. "Early stage capital grants have contributed to raising money for such funds, but towards an overall goal that is unclear."

Policy Matters said one of the funds invested in a company that helps manufacturers find suppliers in China. "This underscores that the program lacks appropriate controls," said Zach Schiller, research director. Three other beneficiaries of the program moved out of state after receiving their money. The department has since changed its rules so that grant recipients who leave Ohio may have to repay the state with interest. "Ensuring maximum Ohio benefits from the program will take additional steps and closer monitoring," Mr. Schiller said.

Policy Matters said it found that oversight of the program has been lax; the selection process for outside contractors has not consistently been competitive; and a lack of department records makes it impossible for the public to determine whether the program functions as it should. The report recommended improved definitions of program and individual grantee goals, and called for improved enforcement and record keeping.

"The state should require that grant recipients make and document efforts to see to it that products from inventions stemming from their grants be made in Ohio. If that is not commercially feasible, they could take them elsewhere," the report said. It said the department also should do a better job of ensuring adequate competition for contractors to evaluate Third Frontier Action Fund grants.

Norm Chagnon, staff director for Third Frontier Commission, said in response that initial years of the fund were not designed to emphasize job creation. "The program over its history has really been about having an influence on the entrepreneurial climate of the state of Ohio and has had different objectives over time for accomplishing that."

he said. "These kinds of programs literally take decades to mature and to see the full effects both in terms of jobs and transitioning the economy."

Mr. Chagnon said the department believes there is sufficient accountability in the program. "We take that very seriously. This is a significant amount of money that we're talking about being invested," he said. "Accountability is a major issue for us. We have a very robust system for monitoring that both in terms of reporting and on-site visits and constant communication with the grantees that we give those dollars to."

Among the largest grants awaiting Controlling Board approval Monday:

--\$1.1 million to NorTech, Cleveland, to support creation of the NEOpreneur Technology Validation Fund.

--\$1.1 million to Phylogeny Inc., Columbus, to support Tissue MicroArray Commercialization.

--\$1.1 million to SCI Engineered Materials, Columbus, to support the commercialization of low cost sputtering targets for Lithium Thin Battery Manufacture.

--\$1.1 million to Girindus America, Cincinnati, to support creation of the Intermediate-Scale Oligonucleotide Synthesis Facility.

--\$1 million to Advanced Energy Technology, Parma, to support volume manufacturing for commercialization of flow field plates for PEM Fuel Cells.