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\$55 million spent, but few jobs
 Study criticizes Taft's high-tech start-up fund; official says it's working
 Friday, December 12, 2003
 Jeffrey Sheban
 THE COLUMBUS DISPATCH

Ohio's Third Frontier Action Fund, the oldest part of the Taft administration's high-tech economic development program, has created few jobs despite handing out \$55 million in the past five years, according to a study to be released today.

Policy Matters Ohio, a research institute based in Cleveland, also said the program lacks public accountability.

The action fund has made 80 grants since fiscal year 1998 to private companies, universities and other entities to foster commercialization of new products and to help start-up companies raise capital.

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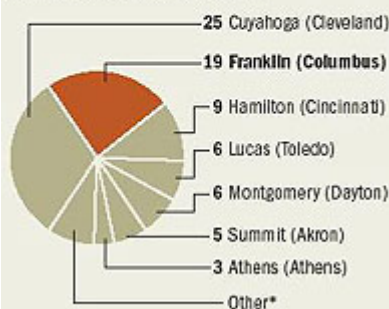
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Grant distribution

Franklin County has received the second-most grants in Ohio from the Third Frontier Action Fund, a state effort to foster high-tech development. A report to be released today says the fund lacks accountability and has created few jobs despite handing out \$55 million in the past five years.

NUMBER OF GRANTS BY COUNTY



*Counties with two or fewer grants: Greene, Miami, Portage and Stark
 Source: Policy Matters Ohio

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It was called the Technology Action Fund until being renamed July 1 and incorporated into Gov. Bob Taft's \$1.1 billion, 10-year Third Frontier initiative.

In November, Ohio voters rejected State Issue 1, a \$500 million bond issue designed as the final piece of the governor's plan to lure high-tech businesses to the Buckeye State.

Action-fund grants have enabled the recipients to raise an additional \$134 million in early-stage capital, the report said.

But Policy Matters estimates that the jobs created with the program's help "number in the hundreds." An exact count is impossible because reporting such figures is not required, the report said.

"This underscores that the program lacks appropriate controls," said Zach Schiller, Policy Matters research director.

Frank E. Samuel Jr., Taft's science and technology adviser, said the program is relatively small and likely won't be a major jobs creator.

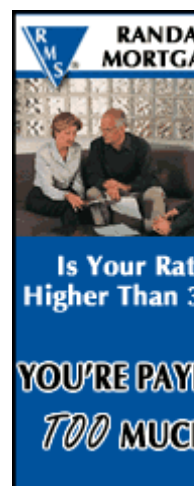
"I believe (the fund) is succeeding. We measure success by earlystage capital creation," he said, referring to private or other government dollars that state funds help secure.

Many of the projects funded by grants will take five years or more to succeed, he said.

"The jobs numbers are going to be modest, particularly in the early years," Samuel said.

The Ohio Department of Development oversees the grant-making process. The report criticized the department for not making figures available on compliance with grant terms, making it impossible for the public to know whether the program is functioning as it should.

Policy Matters cited the example of a Columbus start-up company, ChipRx Inc. Cofounded by Ohio State University professor Marc Madou and a colleague at the University of Kentucky, the company was to commercialize technology from both universities that would use implantable chips to release drugs in the body over time.



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ChipRx obtained a \$500,000 grant from the Ohio fund in fiscal year 2000 and promised to "improve public health and benefit the economy of Ohio," the report said.

But Madou left OSU in 2001 for a California company and ChipRx now has a Lexington, Ky., address with no Ohio operations, the report said.

Norm Chagnon, assistant deputy director in the state Development Department, said ChipRx met the terms of its grant because money was used to fund research at OSU.

But he acknowledged the company hasn't flourished.

"The nature of a grant is it is a best effort to do something. To ever suggest we'd go back to a company because they were unsuccessful is wrong," he said.

In Franklin County, a major recipient of program grants has been Science and Technology Corp., or Scitech, which includes a research park at OSU. Scitech provides early-stage capital funds and engages in commercialization of new technologies.

Scitech has become home for 237 full-time jobs and has obtained about \$6 million in state and federal grants, which has attracted \$23 million from other investors, the report said.

"Scitech is poised to be a real success story," Samuel said.

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