

The Case for Action

BUILDING TOMORROW TODAY: New York State stands on the threshold of its tomorrow. Now more than ever investments must be strategically placed in those areas that will reinvigorate the current economy and, at the same time, provide a foundation for the New Economy. While finance, manufacturing and healthcare comprise much of the current economy, the universities are emerging as the engines driving New York State's New Economy. Technologies emerging out of the universities hold the key for the future economic growth of this state.

CASE FOR ACTION: Based on New York State university-based research and development expenditures, there is an extremely high potential to create university spin-outs. But, university spin-outs need seed capital to launch. As the statistics show, the private money, which includes both the venture capital and the organized angel community, chooses to invest at the later stage of the commercialization process where there are less risks with the technology, management and markets. This results in a capital gap creating a phenomenon known as the "Valley of Death", or that period in a young company's life cycle when all sources of financial capital have been exhausted just as the company is finalizing its product, developing its management team and completing its business plan and go-to-market strategy (It is worth noting that this is an even more serious problem in the biosciences, due to the extensive time it takes to pass regulatory scrutiny). Seeding technology at the most critical stage of development is essential. Without seed capital, it is difficult, if not impossible to obtain venture capital financing for future growth. Without seed capital, these companies will look to other states to provide bridge funding.

New York State has made significant investments in the areas of research and capital. Through the New York State Office of Science, Technology and Academic Research (NYSTAR) tens of millions of dollars in biotechnology and biomedical research funding have been granted. Hundreds of millions of dollars for capital projects have funded facilities such as the State's Centers of Excellence, research parks and incubators. It would be a logical outgrowth of the State's investment in research, capital and incubation to provide meaningful seed funding to support the financial needs of the companies emerging from the universities. The advantages to providing seed funding are many. First, it would create an entrepreneurial ecosystem with the human and financial resources to advance company development in the commercialization continuum. Such an ecosystem would help to address the problem of the brain drain facing so many communities throughout the region. It would make New York State more competitive with other states that have had state-supported seed funding programs for 10 -20 years. Most importantly, a strong state-supported seed fund will go a long way in keeping businesses in New York State. New York State has world class universities with world class innovations. However, world class innovations cannot survive and thrive without a world class commercialization process.