



Written Statement Offered to the Senate Republican Policy Committee PA as an Innovation Leader

Innovation Works and the Ben Franklin Technology Partnership

Innovation Works (IW) is the Ben Franklin Technology Partner of Southwestern Pennsylvania and the region's primary entrepreneurial development organization. Since its inception in 1983, the Ben Franklin Technology Partners (BFTP) have built an innovation-driven entrepreneurial ecosystem across Pennsylvania by providing both early-stage and established companies with support that otherwise is not available from the private sector to help those businesses succeed, including funding, operational and technical expertise, and access to a network of innovative, expert resources. BFTP's extensive community includes entrepreneurs, angel investors, venture capitalists, business incubators, university-based centers of excellence, business assistance organizations, other economic development groups, and university, corporate, and federal research labs.

Regional Impact

IW serves entrepreneurs, startups and small manufacturers in Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Lawrence, Washington, and Westmoreland counties. Since 1999, IW has invested in more than 700 startup companies that have created more than 20,000 high-paying jobs in this region. IW's Scalable Innovation program provides funding and strategic support to companies to build long-term relationships with local manufacturing partners. This program empowers entrepreneurs to advance their products from the prototype stage into production by working with and utilizing manufacturers in southwestern Pennsylvania — helping to ensure that the success of the region's startups translates to economic prosperity for the region's established manufacturers. Last year, IW worked with over 70 manufacturers as supply-chain partners, making connections between those manufacturers and startup entrepreneurs. Scalable also provides funding to manufacturers that are developing their own new products or advanced manufacturing processes — helping them to be more innovative and entrepreneurial. By strengthening the local supply chain and helping manufacturers think and act more entrepreneurially, Scalable benefits startups, local manufacturers, and the regional economy across southwestern Pennsylvania.

An Example: Scaling Successfully using Rural PA Manufacturing

Stuart Diller launched ESTAT Actuation, Inc. and first engaged with IW in 2018. Since then, IW's AlphaLab Gear accelerator helped Stuart develop his prototype of a rotational electrostatic clutch, and ESTAT received one of IW's Scalable Innovation Grants, empowering him to forge relationships with machine shops and other suppliers around the region to produce prototypes. Stuart also benefitted from events held by IW, where he met investors and Defense-related connections, and learned about the opportunities to apply for federal research grants.

After receiving such research funding, ESTAT conducted customer discovery with different Air Force stakeholders and translated that into a larger funding agreement with the Air Force Research Laboratory for improving its technology. While still operating as an early-stage company, ESTAT has already leveraged IW's support to raise an additional \$1.3 million from other capital sources, hire almost 10 employees, and engage with several key supply-chain manufacturers in rural southwestern Pennsylvania.

"We've benefitted a lot from the Scalable grant, so that was helping offset some of our machine costs using local suppliers in the surrounding counties in southwestern Pennsylvania," Stuart said.

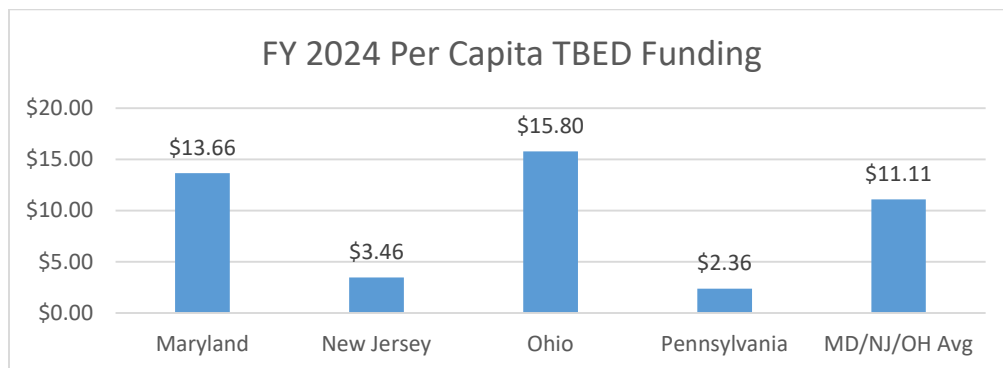
Statewide Impact

As one of the nation's leading technology-based economic development programs, BFTP creates and retains highly paid, sustainable jobs by investing in and linking early-stage technology firms and established manufacturers with experts, universities, follow-on funding, and other resources to help them prosper through innovation. Those investments pay huge dividends for Pennsylvania. According to a third-party study, the BFTP generates \$4 in new tax revenue for the Commonwealth for every dollar that is allocated for the program. Few if any economic development programs can claim such substantial positive impact.

Investments in innovation are the foundation of the new economy, and year after year, BFTP continues to deliver impressive results. According to the statewide initiative's "2022 Annual Statewide Impact Report," Ben Franklin clients generated \$2.4 billion in revenue and secured \$1.1 billion in post-Ben Franklin financing last year alone. The tech-based economic development program also supported 2,018 companies last year and helped clients create nearly 1,508 jobs, while retaining 10,145 more positions. Ben Franklin has become one of the most widely known and emulated state technology-based economic development programs in the nation. Since its inception, BFTP has boosted the state economy by more than \$30 billion, generating more than 58,000 jobs in client firms, plus an additional 101,000 spinoff positions, for a total of 159,000 new jobs that otherwise would never have existed.

A Need for Substantial Support

While the BFTP is a proven model of successful economic development and has been emulated by most other states, Pennsylvania is now lagging behind other states in investments in innovation. While neighboring states (with programs that have been built on Pennsylvania's BFTP model) have stretched themselves to fuel innovation by investing more in their own programs – averaging allocations of over \$11 per capita in such programs – Pennsylvania only invests \$2.36 per capita in technology-based economic development (see chart below).



Pennsylvania outpaced all of these states years ago, but with significant support, these states have been beating Pennsylvania at its own game in recent years. The BFTP is a model for success, and a substantial increase in funding for the program can put the Commonwealth on a trajectory to once again lead the nation in developing innovation and generating huge economic windfalls for Pennsylvania in the process. We welcome an opportunity to share our views with the Senate Republican Policy Committee.

For more information, please contact:

Ven Raju, President & CEO

vraju@innovationworks.org

412-894-9515