

**STATES ECONOMIC DEVELOPMENT  
VENTURE CAPITAL FUNDS:**

All in the field of economic development understand the importance of equity capital. Businesses never seem to have enough, and professional venture investors are always in short supply. Faced with this situation, many development agencies are gearing up to serve the market. Some are already in business. The New Jersey Economic Development Corp. each made recent commitments to private venture capital partnerships.

Of course, some states have plowed this ground before. Experiments fall into four basic categories.

**❑ Direct investments by state agencies.**

The typical model for early science and tech agencies, this approach has seen its day. Public managers have found it difficult to keep trained staff, tough to maintain appropriate investment standards, and, for most, impossible to retain the support of their legislatures. Contrary to this trend, the Massachusetts Technology Finance Authority and the Connecticut Innovations Fund continue to perform at a high level.

**❑ Investment in a single, state-focused fund, privately managed.** The key word here is “single”. Common in the mid-to-late 1980's, this approach has suffered some highly visible failures, notably pension fund programs in Kansas and Missouri. Just because an investment manager is private doesn't mean he is good. Picking a great investment team takes extensive research. And, demanding too much from even the best professionals can stretch them beyond their skills, another path to failure. The best known success story in this category is the Massachusetts Capital Resources Corp.

From the beginning, this fund has benefited from experienced, private managers pursuing a narrowly focused strategy of later stage investing.

**❑ Tax credit incentives for private investment.** In Maine, Puerto Rico and Ohio the state offers tax credits to individual “angel” investors. The guidelines are to encourage seed stage technology ventures. Many give tax credits to investors in qualifying venture capital partnerships. The typical credit is 20-30 percent of the amount invested. West Virginia, Vermont and Indiana have mobilized successful private venture funds with this limited tool. The most generous tax credits are given to entities known as Certified Capital Companies, or CAPCOs. In these models, each originated in Louisiana, insurance companies receive premium tax credits equal to 100-120 percent of the amount they loan to or invest in a CAPCO. Yet, in some cases, only 50 percent of this capital is invested in local ventures. This model is increasingly viewed by most state policy makers as very expensive and poorly targeted.

**❑ Investment in a portfolio of private seed and venture capital partnership.** Pension funds have invested in this way for years, but it took the Michigan Strategic Fund to apply the model with economic development as a goal. The Oklahoma Capital Investment Board and the Maryland Venture Capital Trust have continued to refine this approach. Here investments are made in a number of private partnerships, along with other investors. The strategy is to select partnerships that are expected to produce excellent market returns, while helping grow a healthy local venture capital industry. The model helps focus a rich

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variety of experienced investors on the legitimate capital needs of local businesses. And it's good way to diversify risk. In these two states the results have been impressive.

A private venture capital industry had been launched, millions have been invested in local businesses, and all at no cost to the states. The New Mexico Investment Council and Oregon Growth Account have new programs in this category, and new initiatives are being designed in Arizona, Tennessee, Ohio and California.

Experience is building and new models are on the way. With care, great work can be done, yielding both economic growth and profits.

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#### **U.S. LOSING R & D LEAD:**

Bad news for U.S. research parks, not-so-bad news for non-U.S. parks: The United States is losing its dominance as a source of technology for other countries, according to a recent report by Gregory Tasse, a senior economist with the National Institute of **The full report**, NIST Planning Report 99-2, can be found online at [www.nist.gov/director/prog-ofc/report99-2.pdf](http://www.nist.gov/director/prog-ofc/report99-2.pdf). You can also call Denise Herbert at (301) 975-2657 or e-mail [denise.herbert@nist.gov](mailto:denise.herbert@nist.gov).

#### **DEFENSE ADJUSTMENT INFRASTRUCTURE BONDS:**

Converting a closed or downsized military base to civilian use often requires Local Redevelopment Authorities (LRAs) to make substantial early investment in infrastructure.

Standards and Technology. "R & D Trends in the U.S. Economy: Strategies and Policy Implications" examines trends in the nation's science and technology activities. Private industry is shifting its focus toward short-term R & D objectives. Tasse says, and new, long-term programs like those that led to the creation of the Internet and the biotechnology industry don't seem to exist.

The report adds that the average R & D project time in U.S. industry had declined by 45 percent over the past five years. The shorter cycles largely stem from reduced project objectives. Tasse says several studies show that these shorter-term projects don't benefit companies as much in the long run as more risky innovation efforts do.

The author also asserts that the roles of academia, business and government in R & D are poorly understood, leading to endless policy debates.

Ultimately, the report contends that the United States must greatly expand its high-tech sector from top to bottom and decrease its dependence on non-U.S. suppliers, and better outline players' roles in R & D.

The money available for infrastructure investment has, however, been inadequate. Reliance on limited grants and current income to fund investment has hobbled LRAs working to seize today's redevelopment opportunities. This study examines various kinds of Bonds that can bridge this gap. It describes Municipal bonds and how they can be used, points out that States, counties, and municipalities can issue their own general obligation or revenue bonds and the fact that LRAs can issue bonds secured with real estate income, user

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fees, or tax increments. Credit enhancement is also described. This assures bondholders of timely principal and interest payments if a borrower is delinquent or in default. The study also describes "credit enhancement grants" which can be made by the Economic Development Administration to fund multiyear debt service reserves or subsidized interest accounts for LRA bonds.

#### **REGIONAL SOCIOECONOMIC DATA:**

If your aim is to understand, explain or have some positive impact on a regional economy, you need to find, and make sense of, pertinent socioeconomic data. However, knowing what data exist, where to find them, and what they mean can be a daunting task. This guide is designed for people who want to use readily available socioeconomic data. When working on building relationships with your local banks, the national level may seem a strange place to start. But the Federal Reserve, in addition to managing the nation's money, is responsible for the implementation and enforcement of many federal consumer protection laws (including the Community Reinvestment Act of 1977) and directing a community affairs program. Twelve Federal Reserve Banks are responsible for serving specific regions of the country, with specially trained staff who regularly examine and evaluate the performance of banks in each district. Each bank has a community affairs officer on staff who is responsible for facilitating communication between banking institutions, government agencies and community groups. Each Federal Reserve Bank Community Affairs Office develops publications, conferences, training, presentations and technical assistance to specifically meet the needs of its regional market. To learn more about the Fed system visit

to describe activities and trends in subnational economies, typically at a state, regional, or local level. Its intended audience is broad, and includes novices and the more experienced, researchers and development practitioners, public agency staff, and private sector consultants and market analysts. Various chapters should be useful to data users involved in a wide variety of analytic activities, including impact assessment, regional measurement, strategic planning, and program design. A wealth of statistical information is available about economic activity for cities, counties, and states, much of it free or at very low cost. This guide helps you find the type of data you need.

#### **FEDERAL RESERVE HELP:**

[www.federalreserve.gov/otherfrb.htm](http://www.federalreserve.gov/otherfrb.htm)

#### **STATES' STATS:**

Anyone who needs to stress the importance of small business to someone in his or her state will be eager to read the results of the U.S. Small Business Administration Office of Advocacy's *Small Business State Profiles for 1998*. Released each year, the profiles provide an overview of the role of small business in the economies of the 50 states, District of Columbia and Puerto Rico. Statistics include number of firms, small business income industrial composition, job growth and data on minority and women-owned businesses. For example, the profile for Michigan includes a list of the banks that were the top lenders to small businesses in 1997, as well as a chart showing the number of jobs created by major industry and employment size of firm. View individual states' results at [www.sba.gov/ADVO/stats/profiles/](http://www.sba.gov/ADVO/stats/profiles/). The complete set of profiles is available in paper

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form (\$35) or microfiche (\$14), plus postage and handling, from the National Technical Information Service, (800) 553-6847.

#### **VIRTUAL VENTURE FAIR:**

American Entrepreneurs for Economic Growth is co-sponsoring a new Web site aimed at helping entrepreneurs and investors in search of one another take advantage of the Internet's far reaches. Electronic Data for Investors and Entrepreneurs (EDIE Venture Fair allows entrepreneurs seeking funding to easily and securely list firm information on the Web. The site gives entrepreneurs complete control over the type and amount of data available to investors, ensuring that only those who are seriously interested in the company will get to look at sensitive data. EDIE Venture Fair offers different features for entrepreneurs and investors. For instance, an entrepreneur can check the site to see who has been looking at the firm's entry, and investors can create saved searches that seek out firms matching their criteria. For a demonstration of EDIE, visit [www.EDIE-Online.com](http://www.EDIE-Online.com). For an information package, call Suzanne Greene at (703) 524-3743 or e-mail [sgreene@aegg.org](mailto:sgreene@aegg.org).

#### **ONE IN THREE CUSTODIAL PARENTS WITHOUT CHILD SUPPORT ARE POOR:**

About a third (32 percent) of custodial parents who did not receive the child support payments awarded them in 1995 were poor, according to a report released today that was co-sponsored by the Census Bureau and the U. S. Department of Health and Human Services.

Custodial parents receiving at least some of the child support they were owed had a poverty rate of 22 percent. In general, 30

percent of custodial parents were poor in 1995, compared with 16 percent of all parents with children.

The data in this report were collected in the April 1994 and April 1996 supplements to the Current Population Survey (CPS) before passage of the 1996 Welfare Reform Act. In addition, changes to the April 1994 and April 1996 survey questionnaires mean that many of these data are not comparable with data from the April 1992 CPS and earlier supplements.

#### **Other highlights in the report titled: *Child Support for Custodial Mothers and Fathers: 1995, P60-196***

📄 [hhes/www/chldsupt.html](http://hhes/www/chldsupt.html)

❑ In the spring of 1996, 13.7 million custodial parents lived with 22.8 million children under age 21 while the other parent was absent from the home. About 11.6 million (85 percent) of custodial parents were women and 2.1 million (15 percent) were men.

❑ About 7 in 10 (4.8 million out of 7.0 million) custodial mothers and fathers who were due child support payments received at least a portion of the amount they were owed in 1995. Average child support received was \$3,732.

❑ The number of custodial parents who received the full amount of child support owed them increased from 2.3 million (34 percent) in 1993 to 2.7 million (39 percent) in 1995.

❑ Child support received totaled \$17.8 billion of the \$28.3 billion due

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in 1995.

❑ The 7.0 million noncustodial parents who owed child support in 1995 were more likely to have made payments if they had either joint custody or visitation rights. Seventy-four percent of the noncustodial parents who had these provisions made payments as opposed to 35 percent for those who did not.

❑ About 5.9 million custodial parents made 13 million contacts with a child support enforcement office or other government agency in 1995 for one or more services relating to child support.

The report presents data on parents who have custody of their children when the other parent is absent from the home. It focuses on the child support income that custodial parents with current awards received, as well as other provisions of awards, such as visitation, joint custody and health insurance.

#### **U.S. POPULATION GROWTH RATE REMAINS STABLE:**

The United States resident population increased by 2.6 million people, although its rate of growth was less than 1 percent, between July 1, 1997 and July 1, 1998, according to: **National Estimates** released the Census Bureau.

📍 [population/www/estimates/uspop.html](http://population/www/estimates/uspop.html)

The U.S. population rose from 267.7 million to 270.3 million. The growth rate is consistent with annual growth rates since 1972, which have stayed between 0.9 percent and 1.1 percent.

Over the course of a decade, this growth can really add up. To put things in perspective, the 21.5 million people added to the nation's resident population between April 1, 1990 and July 1, 1998 equals the July 1998 resident populations of Texas and Nevada combined." (The nation's resident population increased from 248.8 million to 270.3 million people over the time period.) Other highlights of the July 1998 estimates include:

❑ From April 1, 1990 to July 1, 1998, the White resident population grew from 208.7 million to 223.0 million people. The African American resident population increased from 30.5 million to 34.4 million, the Asian and Pacific Islander resident population increased from 7.5 million to 10.5 million and the American Indian, Eskimo, and Aleut population increased from 2.1 million to 2.4 million. The national resident population of Hispanics, who may be of any race, grew from 22.4 million to 30.3 million people.

❑ People 85 years of age and older constitute a rapidly growing age group, with their population increasing by 34.1 percent, or more than one million residents, from April 1, 1990 to July 1, 1998. Reflecting the aging of the "Baby Boomer" generation, the 45 to 64 age group also grew rapidly, increasing by 24.0 percent, or 11.1 million residents. Other age groups grew more slowly, including the 0 to 17 age group (5.9 million residents, or 9.3 percent), 65 to 84 age group (2.3 million residents, or 8.2 percent) and 18 to 44 age group (1.2 million residents,

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or 1.1 percent).

□ The median age for United States residents increased from 32.8 years on April 1, 1990 to 35.2 years on July 1, 1998. The median age for men increased from 31.6 years to 34.1 years in that time period, while the median age for women increased from 34.0 years to 36.3 years.

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