SUPPORTING MICHIGAN'S STARTUP COMMUNITY Data Sheet

What is Ohio doing?

Ohio's innovative entrepreneurial ecosystem has been strengthened in recent years by a unique strategy of state support combined with direct investment in and development of key state and regional assets.

- a. This public-private support has been coupled with investments in entrepreneurship and mentoring, by access to serial entrepreneurs and seasoned investors, and by helping aspiring entrepreneurs navigate funding and take advantage of hard-to-obtain funding at the pre-seed and early-stage levels.
- b. Ohio has set the standard for investing in and nurturing pre-seed and early-stage business activity.
- c. Ohio's six regional venture development organizations (CincyTech, Rev1 Ohio, TechGrowth Ohio, The Entrepreneurs' Center, and JumpStart Northeast and Northwest), in partnership with the Ohio Third Frontier, a state-based program, have developed a model that Michigan should emulate.

What impact has Ohio had?

Since 2016, the Ohio Third Frontier has invested **\$221 million** in the six regional venture development organizations. The most recent public funding to support venture in Ohio was approved in July 2022 for \$83.2 million over three years through 2025. During a recent five-year period (2016-2020), the impact Ohio's investment had includes:

- Contributed **\$10** billion to the state's economy; which includes: \$3.74 billion in revenues; \$3.39 billion in attracted capital; and \$2.87 billion in exits.
- Ohio's funds returned \$66 for every \$1 in public funding.
- The companies supported by Ohio's funds created **10,570 client jobs** at a cost of \$12,914/job across all the regional partners.

Why evergreen funding?

The Coalition is asking the state to create the Michigan Startup Evergreen Fund to provide a one-time investment of \$126M to help create four early-stage, pre-seed evergreen funds. The four funds include ID Ventures; Ann Arbor Spark; Accelerate Blue Fund; and Biosciences Research Commercialization Center and includes funding for Michigan Venture Capital Association to help ensure a strong ecosystem. These Funds are all well established with proven track records that all have teams with experience and expertise in their fields. All are university-based or nonprofit funds working to become evergreen funds – meaning all returns on investments are recycled and continue to support startups in Michigan in perpetuity. This funding will support and build a strong ecosystem for Michigan's startup community.

Conservative estimates suggest a \$126M investment would have the following impact:

- create at least 500 new MI startups supported,
- at least \$15B leveraged from these investments, and
- at least 5,000 high-paying tech jobs as well as increasing state and local tax revenue.

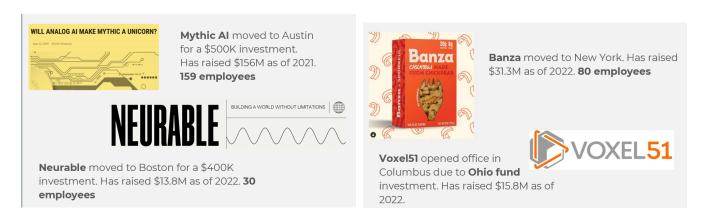
What happens if we don't increase funding?

Michigan's lack of investment is leading to an unnecessary loss of opportunity. The study found that out of a sample of 231 high-tech startups originally founded in Michigan, nearly half (50%) left the state. Those companies created over 4,300 jobs and had venture capital and liquidity events totaling \$3.6 Billion. In comparison, the sample of companies that stayed in Michigan created 2,300 jobs and had venture capital and liquidity events totaling \$1.4 Billion.



The State of Michigan suffers one of the largest disparities between academic research expenditures and invested venture capital. For every \$149 of academic research expenditures in Michigan, there is \$1 of VC. In California, the ratio is \$7 of academic research expenditures for \$1 of VC.

Without enough early-state capital, companies leave Michigan!



Michigan startups face an early-stage funding challenge

Startups in the Great Lakes Region take an average of 2 years longer to raise their first \$500K vs. startups on the coasts. Time spent fundraising translates to lost competitive advantage and lost economic opportunities for the state.

