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research awards from the federal Small Business Innovation Research program.

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For years, the state of Indiana has given out matching grants to companies that won research awards from the federal Small Business Innovation Research program.

It's a big reason why Cary Supalo started his company here in Indiana. But now?

"Now it's the reason why we should roll up the anchor, put it on the ship and move," he said, "potentially."

Probably sometime in fall 2011, the state program that Supalo and others consider so critical to their survival was killed quietly — very quietly. So quietly, in fact, that the Indiana Economic Development Corp, which administers the program, touted it in an annual report well after it was discontinued. So quietly, The Star has found, that the IEDC's web site suggests the program is alive to this day.

But it's not. It's dead. Or, rather, dormant. And that has some business innovators puzzled and concerned. And it has Supalo thinking about moving his company, Independence Science, to Kentucky or maybe somewhere else.

Indiana's grant program has long been lauded as a smashing success. It gave young, fledgling startups with promising ideas the chance to make hires and develop their products more quickly. It helped companies survive at a time when their products weren't yet earning revenue.

The idea behind the program was to offer early support for the great, untested ideas coming out of Indiana's universities and labs, with the hopes that those ideas would lead to blossoming companies with Hoosier employees.

The state started the program under its 21st Century Research and Technology Fund,

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Ventures, a private nonprofit.

It's not exactly clear when and why the matching program ended — in part because Elevate and the IEDC give conflicting accounts — but it appears that the matching grants dried up a few months after Elevate started.

Overall, under Elevate, the state has significantly cut the amount of public money going to Hoosier startups in the past two years, even as it invested \$800,000 in federal dollars in companies run by its chairman and his son. Elevate now faces state and federal probes after a Star investigation exposed the investments.

As far as the matching grant program goes, an Elevate official told The Star it was the IEDC that decided to end it — not Elevate. “That’s not us,” venture partner David Clark told The Star.

Clark said he “can’t really speak to it,” because “it’s not my call.”

“But I think if you were to go back and look at the results of that money,” Clark added, “not a lot came from it.”

IEDC spokeswoman Katelyn Hancock offered a different perspective.

“We believe our previous SBIR matching funds were spent effectively,” Hancock said in a written statement. “The program was successful in attracting federal dollars to Indiana for use by small technology-based businesses and we may use the program again in the future.”

Though the program is “not currently active,” Hancock said, the IEDC continues to evaluate it “and whether circumstances warrant using it.”

Asked when the program ended, Hancock did not respond. But Kristin Jones, who heads a trade association called the Indiana Health Industry Forum, estimates it was

around September 2011.

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ended. Instead, it listed the grants that had been made that fiscal year, and spoke of the program's importance.

"The 21 Fund ensures that awardees have the resources with which to demonstrate the feasibility of technology development," the IEDC wrote.

The report, Jones said, "made it look like it was still there."

And to this day, the IEDC still mentions the matching program on its website as a way the state "will provide Indiana companies with the fuel needed to excel in the SBIR/STTR programs."

Jones said it's still not clear to her why the program ended. But, ultimately, she said she was told that the state felt there wasn't enough of a return on its investment.

"I'm thinking, 'Well this is a grant program. It's a grant. It's a matching grant,'" she said. "I'm not sure what kind of return you're looking for in this case."

The IEDC, in its most recent 21 Fund annual report, also cited the program's "measurable impact" in getting more of the federal grants to go to Indiana companies. Nathan Feltman, who ran the IEDC in 2007 and 2008, said the match was meant to encourage more companies to apply for the federal money.

Jones wonders if the program's demise has now made an impact in the opposite direction. In 2010, the last full year of the state match, Indiana-based companies won 88 federal grants, according to sbirsource.com. In 2011, that dropped to 56; in 2012, it was 44, exactly half the number of two years earlier.

Some firms interviewed by The Star pointed to a more pressing, existential impact of the match program. "That is the number one thing that keeps you alive," said Paul Arlton, CEO of Lite Machines Corp.

His company has won several matching grants over the years, and credits them with

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Sean Connell reckons his company, Medtric, could have used the match to hire some Indiana-based contractors to start manufacturing its over-the-counter antiseptic spray.

Despite receiving \$150,000 in federal SBIR dollars, he feels hamstrung. When he approaches pharmacies and drug stores about stocking his product, they always ask if he has a plan to market it nationally.

He can't use the federal dollars to set that up. So even though his company has won several business awards, things are moving slowly, he said. "We have a great piece of technology," he said, "and we're kind of going up against a wall."

Such companies could be lured by other states.

Supalo's company, Independence Science, makes software that enables blind students to use computers and lab devices more easily. He won a \$200,000 SBIR award three years ago; the state chipped in an additional \$100,000. With the state cash's help, he was able to grow to five full-time employees in Indiana.

He's looking for a new federal SBIR award. His employees had been trying to find out if the state matching grant program was still going on.

When The Star informed him it was over, he did see one bright side: "Now I don't have to have my staff looking for it."

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