

**Testimony by John Burns
Managing Director, Maine Venture Fund**

***Against the Proposed Budget Elimination of the Advanced Applied Development Centers
System Budget Line (0929) Within the Department of Economic and Community Development
Budget for the Fiscal Years Ending June 30, 2018 and June 30, 2019***

**Joint Standing Committee on Appropriations and Financial Affairs
Joint Standing Committee on Labor, Commerce, Research & Economic Development**

March 1, 2017

Senators Hamper and Volk, Representatives Gattine and Fecteau, and Distinguished Members of the Joint Standing Committees on Appropriations and Financial Affairs, and Labor, Commerce, Research & Economic Development:

My name is John Burns. I am the Managing Director of the Maine Venture Fund (the dba name for the Small Enterprise Growth Fund), Maine's venture capital fund. I am here to testify against the Governor's proposed elimination of the Advanced Applied Development Centers ("Development Centers") funding which provides vital support to the three remaining incubators in the State, including MCED's statewide programs.

The Governor's proposed budget eliminates \$178,838 from the Department of Economic and Community Development budget that has been split three ways between Maine Center for Entrepreneurial Development ("MCED"), Target Technology Center ("Target") and the Maine Aquaculture Innovation Center at the University of Maine ("Aqua").

Many of you may remember the origins of the Development Centers in Maine. It was the mid 1990's and a predecessor Legislature was grappling with many of the same economic development issues present today. They recognized at that time that the State was spending next to nothing on research & development, while the average around the country was, and remains, around 3% of gross State product. Several valuable entities were created to address the issue, including Maine Venture Fund, which I manage, and Maine Technology Institute ("MTI"), with Brian Whitney currently serving as President. These entities have been valuable important foundational entities in the ever stronger entrepreneurial and growth company ecosystem in the State. When MTI was created, Legislators agreed on seven technology areas that would be the focus of MTI's efforts to support "R&D leading to commercialization". In order to train entrepreneurs and support the MTI and MVF funding of early stage high-potential companies, your predecessor legislators designed the Development Center model. In my informed opinion, the Development Centers were a brilliant concept, but poorly executed.

What happened in execution? Unfortunately, politics intervened. The idea was to create seven separate physical facilities around the State, one for each of the seven targeted technologies. Competition among legislators for locating these Development Centers in their districts removed common sense from the plan. For example, the Biotechnology Development

Center was assigned to Fairfield, away from the concentration of industry professionals and organizations in Maine. The centers were also designed exclusively for that particular industry, rather than sorely needed general entrepreneurial education. Predictably, four of the seven Centers withered and dissolved. The three that remain are MCED, Target, and Aqua. Why do they remain? Target is located in Orono and is staffed and financially supported in part by the University. Rather than be hamstrung by their 'charter' as an Information Technology Center, Target has expanded its offerings more broadly to reach more entrepreneurs and scalable small companies. Aqua similarly is University affiliated with the Center for Cooperative Aquaculture Research (CCAR) and Walpole physical facilities, making it convenient for the management of Target to also manage Aqua. MCED has survived, in my opinion, due to strong leadership, active involved governance, creative and successful program design and delivery, and pure gumption. Nearly starved of financial support, the MCED Board and staff have sacrificed and persevered to design and deliver programs that are well conceived and well executed. Their fabulous leadership now continues with new Executive Director Tom Rainey.

Specifically, MCED has run the "Top Gun" entrepreneurial training program since 2009, the Maine Mentor Network, and offers frequent Lunch & Learn's, Table Talks and other continuous training initiatives. Top Gun, now offered in four locations around the State is designed to accelerate entrepreneurial development using training, mentoring and the development of community connections. Top Gun is comprised of two connected programs and graduates often go on to utilize continuing assistance through their relationship with MCED. The Maine Mentor Network gives entrepreneurs access to the most extensive network of professionals in the State of Maine, many of whom also serve as Top Gun presenters, trainers and mentors. These are talented mentors with demonstrated success, bringing their deep industry knowledge and real world experience to bear on the roadblocks and issues businesses might encounter on their road to success. MCED collaborates closely with the University of Maine System and private sector partners. Over its 15-year history, MCED has accelerated the growth of hundreds of Maine-based businesses. Since 2010, over 140 startup businesses have graduated from MCED's Top Gun intensive 15-week training program. Based on a recent survey, 121 of these Top Gun graduates are still in business and growing representing an 80% business survival rate. MCED helps entrepreneurs avoid common and avoidable mistakes by providing "hands on, real world" experience. Programs are delivered by staff and volunteer business professionals who serve as local subject matter experts. MCED currently maintains a database over 120 volunteer business mentors. MCED received 44 applications from Maine startups for the 2017 Top Gun Program, and 38 were selected into the class that is now underway. Some of the best and most successful MTI and MVF applicants are Top Gun graduates.

Training and development of entrepreneurs is the unsexy underpinning of a successful entrepreneurial and scalable company ecosystem. It requires continues, steady effort before results can be seen. I have been Managing Director of Maine Venture Fund for seventeen years. I can say with absolute certainty that the impact of MCED's efforts and programs is evident in the greater sophistication of entrepreneurs and small company executives that eventually make their way to MVF seeking equity capital. The support system alone keeps many entrepreneurs incentivized to carry on when they feel hopeless and despondent, as the entrepreneurial journey often does make one feel. They know they have peers with similar struggles. They learn from one another and the mentors and so avoid costly time or money mistakes. They are encouraged

to aspire to even greater dreams and goals, and learn the tools that they will need to achieve those goals.

MTI and MVF capital is wasted if the entrepreneurs and small scalable companies do not have the tools, the training and the ecosystem to see them through their unavoidable struggles to create large companies that will contribute to the prosperity of Maine. MCED, Target and Aqua are the wheels on the vehicle. We (the State) can put all the gas (capital) we want into the vehicle, but if it has no wheels (entrepreneurial training and support), that vehicle ain't moving.

MCED / Target / Aqua budgets are supported by a variety of sources, including private and Federal. The State funding is an integral piece of qualifying for Federal support. Without the DECD funding as a match, for instance, MCED would be unable to draw down Federal EDA Grant funding that enables it to operate the statewide network and would mean the loss a combined 25% of its overall funding.

The incubators have provided a tremendous return on the State's investment and are critical components in diversifying Maine's economy. Top Gun graduate companies have created 300 jobs in Maine, and have raised \$8 million capital since 2006. Media outreach has created positive "buzz" in the national press and bolstered the branding of Maine as a great place to start and grow a business.

I urge you to reinstate the relatively small amount of funding MCED, Target and Aqua receive from the state of Maine through the Advanced Applied Development Centers program.

Thank you for your consideration.

John Burns
Managing Director
Maine Venture Fund
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