TEAM: BUSINESS CLIMATE

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SUBJECT: ACCELERATING INNOVATION COMMERCIALIZATION THROUGH FEDERAL R&D INVESTMENT AND ENTREPRENEURIAL WORKFORCE DEVELOPMENT

REQUESTED ACTION:

- Expand federal R&D investment through DOE, DOD, NIST, and NIH to accelerate innovation in biotechnology, agrifood technology, clean energy, advanced manufacturing, and semiconductors/AI.
- Ensure continued and expanded funding for SBA's SBIR/STTR programs to support early-stage commercialization and bridge the "valley of death" between research and market-ready ventures.
- Integrate entrepreneurial training into federal workforce development programs (DOL, EDA, ED) to build innovation-ready talent pipelines in key sectors.
- Advance federal policies that reduce barriers to workforce participation, including childcare and healthcare access, to strengthen workforce participation and enable entrepreneurship across the innovation economy.

HOW THIS SUPPORTS BUSINESSES:

The Capital Region's innovation ecosystem—anchored by UC Davis, Sacramento State, Aggie Square, Cal EPIC, The Plant, and HMCI —generates breakthrough research in biotechnology, agrifood technology, clean energy, water innovation, advanced manufacturing, and semiconductors/AI. However, translating this research into scalable, investment-ready companies requires robust federal R&D partnerships and sustained early-stage commercialization funding. Expanded investment from DOE, DOD, NIST, and NIH would strengthen regional research capabilities while creating direct pathways for businesses to access cutting-edge innovations, co-develop solutions with universities and national labs, and compete for federal contracts that drive private sector growth.

The SBA's SBIR/STTR programs are critical bridges between academic research and commercial success, providing non-dilutive capital that allows early-stage companies to validate technologies, develop prototypes, and attract private investment. For the Capital Region's emerging sectors, from biomass and hydrogen innovation to semiconductor technologies and biomanufacturing— SBIR/STTR funding enables startups to de-risk innovations before seeking venture capital. Companies like LiCAP Technologies and numerous other regional innovators have leveraged these programs to scale operations, create high-wage jobs, and position the Capital Region as a commercialization hub. Ensuring program continuity and growth directly supports the business climate by reducing barriers to entrepreneurship and accelerating the pace from lab to market.

Beyond research funding, businesses need talent pipelines that understand both technical domains and entrepreneurial execution. Integrating entrepreneurship training into federal workforce development programs creates a workforce capable of building companies, not just filling positions. This approach supports businesses across all four of the region's major economic sectors—business services, precision manufacturing, working lands, and research and development—by producing employees who can identify market opportunities, navigate startup operations, and drive innovation from within established companies. Coupled with expanded access to childcare and healthcare, these policies remove critical barriers that prevent talented individuals from pursuing entrepreneurship or joining high-growth ventures, thereby strengthening the entire regional business ecosystem.

HOW THIS SUPPORTS RESIDENTS OF OUR REGION:

Federal R&D investment and commercialization support directly translate to high-quality job creation for Capital Region residents. The region's innovation sectors—life sciences, agrifood technology, clean energy, advanced manufacturing, and semiconductors—offer career pathways with above-average wages, strong benefits, and opportunities for advancement. When federal agencies partner with regional research institutions and support SBIR/STTR-funded startups, they catalyze ecosystems that employ engineers, technicians, researchers, business professionals, and skilled tradespeople. Projects like Aggie Square's $1.1 billion life science innovation center, Cal EPIC's next-generation battery campus, and The Plant's biomanufacturing commercialization facility represent

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thousands of direct and indirect jobs that provide economic mobility for residents across skill levels and educational backgrounds.

Workforce development programs that integrate entrepreneurial training create broader pathways to prosperity beyond traditional employment. By equipping residents with skills in customer discovery, business model development, and startup operations, these programs enable individuals to launch their own ventures, drive innovation within existing companies, or transition into high-growth sectors. This is particularly valuable for communities historically underrepresented in entrepreneurship and innovation careers. When coupled with policies that expand access to childcare and healthcare, these programs remove structural barriers that disproportionately affect women, working parents, and lower-income residents—enabling broader participation in the innovation economy and building more inclusive prosperity across the Capital Region.

The economic multiplier effects of a thriving innovation ecosystem benefit all residents through increased local revenues, improved public services, and enhanced quality of life. As companies commercialize research, create jobs, and attract private investment, they generate tax revenues that support schools, infrastructure, and community services. The Capital Region's transformation from a government-dependent economy to a diversified innovation hub creates resilience against economic downturns and positions residents for long-term prosperity. Moreover, the technologies developed through federal R&D partnerships—from advanced healthcare solutions emerging from Aggie Square to sustainable food systems from The Plant to clean energy innovations at Cal EPIC—directly improve residents' health, environmental quality, and access to cutting-edge services that enhance daily life across our communities.

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