

February 25th, 2025

To: The Honorable Marvin L. Abney
Chair, House Finance Committee

RE: Support for FY26 Economic Development Article, Innovation Initiatives

Dear Chairman Abney and Members of the House Committee on Finance,

I am writing in support of the sunset extension of the Innovation Initiatives Act under FY26 Economic Development Article and request that the Committee consider allocating funding for this line item.

My company is a Rhode Island-based technology firm developing advanced sensors that aim to improve building energy efficiency and the health of occupants in commercial buildings. As a small business innovator in Rhode Island, I have witnessed firsthand how the Innovation Initiatives provide critical support that enables companies like mine to grow, create jobs, and contribute to our state's economy.

Since our founding, we have benefited tremendously from Rhode Island's commitment to innovation. We received approximately \$50,000 through the Innovation Voucher Program, which funded essential tooling, the purchase of key components, and prototype product development. The SBIR matching grant program has provided us with \$30,000 for our Phase 1 award and recently approved \$40,000 for our Phase 2 award. This support has been instrumental in advancing our product development, securing intellectual property through a family of patent filings, and preparing for commercial launch.

These programs have delivered tangible results for Rhode Island. Our company has already created three skilled technology jobs, with plans to add three more positions within the next two years as we scale operations. Each of these positions represents a taxpayer who contributes to Rhode Island's economy and community.

The failure to fund these programs in the FY26 budget would have devastating consequences for Rhode Island's innovation ecosystem. While the statutory extension of these programs is appreciated, without actual funding, they cannot fulfill their purpose. Last year's approved increase in matching funds to make Rhode Island competitive with neighboring states was greatly undermined by the lack of increase in available funding. I understand that the state faces many budget challenges, but in terms of cost/benefit analysis, these programs must provide some of the highest overall returns of any investment the state makes. Cutting their funding is sheer folly.

I must be candid: without continued support from these programs, my company would most likely relocate to a state that has similar, but more robustly funded offerings. As a small company such a move is relatively simple, and many innovative Rhode Island companies doubtless face the same calculation. By failing to fund these programs, the legislature would be proactively encouraging Rhode Island's most promising small businesses to leave the state.

It is also worth noting that while several large and well-known corporations have received significant state support, small businesses collectively employ more than half of the state's total workforce, and they accounted for more than 80% of the state's total job growth in recent years. Yet small businesses receive far less support, despite facing greater challenges in accessing capital and resources. These Innovation Initiatives are a critical tool that enable Rhode Island's small businesses to compete and succeed.

In conclusion, I urge the Committee to support the sunset extension of the Innovation Initiatives and consider allocating funding to the Innovation programs for next fiscal year. This investment will yield substantial returns for our state through job creation, economic growth, and the retention of innovative businesses that might otherwise be forced to relocate.

Respectfully,

A handwritten signature in black ink, appearing to read 'Nicholas Napp', written in a cursive style.

Nicholas Napp
CEO
Xmark Labs, LLC