

PA10-190

HB5498

Commerce	708, 711-712, 760-762, 800-801, 819-820, 826-828, 836, 842, 844-848, 850, 857, 881-885	27
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**CONNECTICUT  
GENERAL ASSEMBLY  
SENATE**

**PROCEEDINGS  
2010**

**VOL. 53  
PART 13  
3842 - 4128**

cd  
SENATE

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Next, Mr. President, calendar page 19, Calendar 553,  
House Bill 5159, move to place the item on the consent  
calendar.

THE CHAIR:

Seeing no objection, so ordered.

SENATOR LOONEY:

Thank you, Mr. President.

Calendar page 19, Calendar 554, House Bill 5164,  
move to place on the consent calendar.

THE CHAIR:

Seeing no objection, so ordered.

SENATOR LOONEY:

Thank you, Mr. President.

Calendar page 20, Calendar 556, House Bill 5498,  
move to place on the consent calendar.

THE CHAIR:

Seeing no objection, so ordered.

SENATOR LOONEY:

Thank you, Mr. President.

Calendar page 20, Calendar 557, House Bill 5270,  
move to place on the consent calendar.

THE CHAIR:

Seeing no objection, so ordered.

SENATOR LOONEY:

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Calendar page 20, Calendar 556, House Bill 5498;  
Calendar 557, House Bill 5270; 559, House Bill 5407; 562,  
House Bill 5253; and House Bill -- Calendar 563, House  
Bill 5340; Calendar 567, House Bill 5371; and Calendar  
573, House Bill 5371.

Mr. President, I believe that completes the items

THE CHAIR:

Mr. Clerk, could you please give me on Calendar 567,  
do you have 5516, sir?

THE CLERK:

What -- what calendar?

THE CHAIR:

567 on page 22.

THE CLERK:

It's 5516.

THE CHAIR:

Yes, sir. Okay.

Machine's open.

THE CLERK:

An immediate roll call vote has been ordered in the  
Senate on the consent calendar. Will all Senators please  
return to the chamber. Immediate roll call has been ordered in the Senate on the  
consent calendar. Will all Senators please return to the chamber.

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THE CHAIR:

Have all Senators voted? Please check your vote. The machine will be locked. The Clerk will call the tally.

THE CLERK:

Motion is on adoption of Consent  
Calendar Number 2.

Total number voting	35
Necessary for Adoption	18
Those voting Yea	35
Those voting Nay	0
Those absent and not voting	1

THE CHAIR:

Consent Calendar Number 2 passes.

Senator Looney.

SENATOR LOONEY:

Yes, Mr. President.

Mr. President -- Mr. President, before moving to adjourn, I would like to ensure the entire chamber will wish Laura Stefon, Senator McDonald's aide, my former intern, a happy birthday.

And with that -- and with that, Mr. President, I would move the Senate stand adjourn

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And will the Clerk please announce the tally.

THE CLERK:

House Bill 5522 as amended by House "A."

Total number Voting 142

Necessary for Passage 72

Those voting Yea 142

Those voting Nay 0

Those absent and not voting 9

DEPUTY SPEAKER ORANGE:

The bill passes as amended.

Will the Clerk please call Calendar Number  
234.

THE CLERK:

On Page 40, Calendar 234, Substitute for House  
Bill Number 5498, AN ACT CONCERNING STATE CONTRACTS  
FOR MICRO BUSINESSES, UTILITY DEPOSITS FOR  
CONNECTICUT BUSINESSES AND THE CREATION OF A SMALL  
BUSINESS RECOVERY PROGRAM, favorable report of the  
Committee on Appropriations.

DEPUTY SPEAKER ORANGE:

Representative Jeffrey Berger. You have the  
floor, sir.

REP. BERGER (73rd):

Thank you, Madam Speaker, and good afternoon.

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DEPUTY SPEAKER ORANGE:

Good afternoon.

REP. BERGER (73rd):

I move for acceptance of the joint committee's favorable report and passage of the bill.

DEPUTY SPEAKER ORANGE:

The question is acceptance of the joint committee's favorable report and passage of the bill. Will you remark?

Representative Berger.

REP. BERGER (73rd):

Yes, Madam Speaker. Before us now is another extension of the work that this General Assembly is doing to help businesses, both small and large, in the State of Connecticut to help grow income and create jobs.

One area that the Commerce Committee had addressed was in the area of micro businesses, and how we can expand and get them to be able to expand their businesses, to get more work and to grow them.

And by small, micro businesses, Madam Speaker, we usually are talking, what we are talking, of companies that are \$3 million in gross revenue, and

very typically, Madam Speaker, have three to five employees. These make up a vast majority of the businesses that are located within all of our communities in the State of Connecticut.

Last year this Assembly put together a micro business help fix that was worked through DAS, the Department of Administrative Services, and this was brought to the light of the Commerce Committee through the hard work of Representative Corky Mazurek of the 80th, who had a small engineering firm that fit into the category of small business and said, we really need to look at this group and help them to be able to allow them to be able to bid on contracts by establishing a small set aside for them to be competitively viable to be able to obtain these contracts.

This year, under the bill, we are expanding that to the Department of Public Works and the Department of Transportation, to allow those small micro businesses to be able to have an edge in bidding on contracts through DOT, DPW with what we will do here today and what we did last year with DAS.

So it's a very important growth potential for

these micro businesses in what we do with the bill here today.

One other section of the bill deals with utility deposits, and what we found, Madam Speaker, was that certain companies that would have either gas or utility bills paid to them through businesses, were unregulated in the amount of security deposits that they were required to put into an escrow account with these utilities for the businesses.

So, Madam Speaker, as an example, there could have been a business, a micro business of \$3 million in gross revenue or less and employees of three to five employees, and those businesses were required to put security deposits that could be equal to \$15,000 to \$16,000.

Most often, then, those businesses were either not able to have the security deposits and would have to shut their doors down, or if they were a new business coming in, would not even be able to open up as a business because of the high cost that would be involved in this exorbitant, egregious, security deposit.

So this bill is going to fix that. It's going

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to only allow a security deposit to be held for one and a half months, which is usually over the standard practice for a residential utility user.

So we're excited about these changes. They help out businesses. They help out businesses that are existing now, businesses that want to start in the State of Connecticut and grow.

So I will move passage.

DEPUTY SPEAKER ORANGE:

Thank you, sir. Will you care to remark further on the bill? Will you care to remark further on the bill? Representative Kirkley-Bey. You have the floor, ma'am.

REP. KIRKLEY-BEY (5th):

Thank you, Madam Speaker, and good afternoon.

DEPUTY SPEAKER ORANGE:

Good afternoon.

REP. KIRKLEY-BEY (5th):

I would like to pose a question to Representative Berger.

DEPUTY SPEAKER ORANGE:

Please proceed, ma'am.

REP. KIRKLEY-BEY (5th):

You were saying that this would set aside some

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types of money for these businesses. Does it in any way touch the amount of money or percentage of money that's set aside for minority contractors?

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Yes, thank you, Madam Speaker, and thank you, Representative Kirkley-Bey for bringing that up.

This is no way, there are not necessarily funds involved with this particular Bill. We're going to have an amendment that takes out the funding portion, because in the jobs bill we already addressed establishing loans and we're going to have a clean up amendment.

But in reference to your set aside question, certainly this will not, for legislative intent, do anything to erode at all, the minority business set aside.

This just expands upon the existing program and allows these businesses now to be able to be more competitive in the ability to be able to bid for business.

Through you, Madam Speaker.

REP. KIRKLEY-BEY (5th):

Well, I'm glad you mentioned the jobs bill, because my next question was, how does this impact what's going on with the jobs bill. Haven't we addressed it to some extent with that bill. Thank you very much, sir.

DEPUTY SPEAKER ORANGE:

Thank you. Will you care to remark further on the bill? Will you care to remark further on the bill?

Representative Berger.

REP. BERGER (73rd):

Thank you, Madam Speaker. The Clerk is in possession of House Amendment "A," LCO 5064. I ask that he call and I be allowed to summarize.

DEPUTY SPEAKER ORANGE:

Will the Clerk please call LCO Number 5064 designated House Amendment Schedule "A."

THE CLERK:

LCO Number 5064, House "A," offered by Representatives Berger, Alberts, et al.

DEPUTY SPEAKER ORANGE:

The Representative seeks leave of the Chamber to summarize. Is there objection? Is there objection? Seeing none, Representative Berger.

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REP. BERGER (73rd):

Yes, thank you, Madam Speaker. The Amendment now that we have before us removes Sections 3 and 4 of the underlying bill, and for the purposes of explanation, the Section 4 of the bill dealt with a \$25 million loan program that was going to be rolled out for micro businesses.

That portion of the bill now has been included in the jobs bill that we had previously passed in the House on Saturday, so that would remove that.

Within other sections of the amendment, however, there is also clarifying language for a pilot micro loan program, revolving loan program that would be established by the DECD Commissioner and it just will allow them to be able to establish the revolving loan across the state to assist these micro enterprises and the loans that they will be required to dispense.

There's also a clarifying technical section, which authorizes the DECD Commissioner to update the North American Industrial Classification Code, NAICS. With our existing standards, this bill would just allow them to update those existing standards, and I move for its passage.

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DEPUTY SPEAKER ORANGE:

Adoption.

REP. BERGER (73rd):

Adoption.

DEPUTY SPEAKER ORANGE:

The question before the Chamber is adoption.  
Would you care to remark further on House Amendment  
Schedule "A?"

Representative Alberts of the 50th. You have  
the floor, sir.

REP. ALBERTS (50th):

Thank you, Madam Speaker. A couple of  
questions to the proponent of the amendment as  
presented.

DEPUTY SPEAKER ORANGE:

Please proceed.

REP. ALBERTS (50th):

Thank you, Madam Speaker. To clarify, through  
you, Madam Speaker, essentially what we're doing  
here in this amendment, or one part of this  
amendment, is to take the work that we did the  
other day and provide some clarifying language to  
it to ensure that we make available to the state,  
those organizations, which may have a certain

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knowledge base in providing micro businesses that we may or may not have in DECD. Is that not correct?

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Yes. Through you, Madam Speaker, that is correct. And it will allow the Commissioner of DECD to implement that micro loan program through its powers.

DEPUTY SPEAKER ORANGE:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker. And as I understand it, there is no fiscal note associated with this amendment except perhaps a relief of fiscal responsibility that there is a lesser impact on the State of Connecticut as a result of this amendment if it were to pass.

Is that not correct? Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

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REP. BERGER (73rd):

Yes. Through you, Madam Speaker, that is correct. With the passage of this amendment, there is no fiscal impact.

DEPUTY SPEAKER ORANGE:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker. And if this amendment were to pass as presented, then the provision that the gentleman had earlier spoken about, about making sure there was access to potential set asides, those would indeed remain in place and would be voted upon after this amendment, and that the language in those potential set asides is permissive language on the various government agencies, not mandatory language. Is that not correct?

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Through you, Madam Speaker, that is correct.

DEPUTY SPEAKER ORANGE:

Representative Alberts.

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REP. ALBERTS (50th):

Thank you, Madam Speaker. I support this amendment as presented. Thank you.

DEPUTY SPEAKER ORANGE:

Thank you, sir. Will you care to remark further on the amendment? Will you care to remark further?

Representative Larry Cafero, you have the floor, sir.

REP. CAFERO (142nd):

Thank you, Madam Speaker. Madam Speaker, a few questions, through you to the proponent of the amendment.

DEPUTY SPEAKER ORANGE:

Please proceed.

REP. CAFERO (142nd):

Thank you, Madam Speaker. Representative Berger, in your summary of the amendment, you indicated that we are striking Sections 3 and 4. I believe you said that, you gave reason for the striking of Section 4 in that it created a revolving loan fund that was already taken care of in our jobs bill.

If that's correct, through you, Madam Speaker,

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what is the necessity of striking Section 3?

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Madam Speaker to the esteemed Minority Leader. The requirement of removing Section 3 resulted in a fiscal impact to the State of Connecticut and the DPUC, which would be to study a utility's use of security deposits.

So we thought that we would remove the fiscal impact by removing that section. Through you,

Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Cafero.

REP. CAFERO (142nd):

Through you, Madam Speaker, if you could elaborate on that a little more. It's my understanding the underlying bill changes, and I might have this wrong, so forgive me, and I will stand corrected.

It changes the way small businesses, let me put it a different way. I guess what you said is that right now small businesses are required to put forth security deposits by varying utilities, the

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size of which could in some cases be prohibitive.

Is that correct?

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Madam Speaker, that is correct, and they are currently unregulated.

DEPUTY SPEAKER ORANGE:

Representative Cafero.

REP. CAFERO (142nd):

And through you, Madam Speaker, it's my understanding that the underlying bill, which this amendment changes, would cap, if you will, the amount of security deposit that can be asked for by these small businesses to one and a half months.

Is that correct?

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Through you, Madam Speaker, that is correct.

DEPUTY SPEAKER ORANGE:

Representative Cafero.

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REP. CAFERO (142nd):

Thank you. Through you, Madam Speaker, is, I realize I think in your description you said the one and a half months is industry standard or typical.

Can you elaborate on that? Where would we get, you know, what's throwing me frankly is a half a month. I don't quite get that. Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Yes, through you. In research and testimony and in several meetings that we've had in discussion, typically a residential customer could be required to give, to have to put up one and a half months security in certain situations.

So in trying to get level parity, it was anticipated through the testimony that we heard in Committees and through the meetings that we had, Madam Speaker, that one and a half months security would be a fair amount of security deposit to be used.

And oftentimes in residential rental

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agreements, the requirement of one and a half months is across the board, the median security deposit requirement.

DEPUTY SPEAKER ORANGE:

Representative Cafero.

REP. CAFERO (142nd):

Thank you. Through you, Madam Speaker, I think I understand the analogy with regard to residential homes. However, it has been my experience and correct me if I'm wrong, there's certain more stability and less volatility in residential utility bills than there would be, potentially, in commercial bills depending on the nature of the business, depending on the nature of the season, that it is possible that bills in a certain business can vary greatly, depending on the time of the year, the energy that's used.

Was any consideration taken into effect with regard to that, and I bring that up because if in fact it's a month and a half, I guess a month and a half of what?

If it's a month and a half in a season where the utility bills are low, that's one thing. If it's a month and a half security deposit in months

where utilities are high, that's quite a different thing.

Can you comment on that? Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Madam Speaker, and that is correct. It was thought of that when looking at and structuring a month and a half security, you would take a yearly 12-month period, determine what that cost is and figure your monthly security deposit plus the one half month based on that analysis for that business.

If in the location the business is located, say if it was a manufacturing business and was being replaced by another manufacturing business, they could determine the security deposit based on usage of that business either in that location or in a previous location within the State of Connecticut to get an idea for deposit requirements.

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Cafero.

REP. CAFERO (142nd):

Thank you. Through you, Madam Speaker, forgive my ignorance. Does the amendment or the bill outline that procedure as you just described? Does it simply leave it up to chance as to various ways they could determine a month and a half or does it spell out how they must determine that month and a half cap?

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Through you, Madam Speaker, it does leave some interpretation open and it doesn't specify the exact amounts.

DEPUTY SPEAKER ORANGE:

Representative Cafero.

REP. CAFERO (142nd):

Thank you, Madam Speaker. In light of the fact that this has dealt with security deposits regarding utilities, I'm wondering if this bill has been vetted by the Energy Committee of our General Assembly?

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Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER: (73rd):

Through you, Madam Speaker, I'm not sure if this specific topic had been, but I believe DPUC and security deposit conversations have existed in the Energy Committee prior to this bill.

DEPUTY SPEAKER ORANGE:

Representative Cafero.

REP. CAFERO (142nd):

Thank you, Madam Speaker. I guess my questions more specifically is, was this bill and/or the amendment, did it go through the Energy Committee?

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Madam Speaker. It is my understanding that the discussion of security deposits have gone through Energy Committee and discussion with the Energy Committee, and this would be regulated, the potential for security

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deposit regulation would fall under DPUC.

DEPUTY SPEAKER ORANGE:

Representative Cafero.

REP. CAFERO (142nd):

Thank you, Madam Speaker, once again and forgive me. Did this bill go before the Energy Committee?

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

This specific Bill did not.

DEPUTY SPEAKER ORANGE:

Representative Cafero.

REP. CAFERO (142nd):

Thank you, Madam Speaker. Through you, Madam Speaker, I notice in the amendment, Lines 3, 4 and also Lines 1 and 2 insert the word company, excuse me, after the word company insert the words other than a telephone company.

Is there a reason for that particular distinction? Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

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REP. BERGER (73rd):

Yes, through you, Madam Speaker. We added in the telephone companies other than telephone companies because we did not want to make that subject to say Sprint or Nextel, or SNET and we wanted to focus specifically on the utility companies, gas or electric.

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Cafero.

REP. CAFERO (142nd):

Thank you, Madam Speaker. Do telephone companies, through you, Madam Speaker, do telephone companies typically require security deposits?

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Through you, Madam Speaker, it is my understanding that they could, based on credit, so forth of a business or a consumer, and I'm not sure of the structure of that.

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Cafero.

REP. CAFERO (142nd):

Through you, Madam Speaker, thank you. Was there any comment as this bill came, well, first of all let me say this..

Was various companies, utility companies, telephone companies given an opportunity to comment on this particular portion of the bill, the limiting of security deposits? Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Yes, thank you, Madam Speaker. Certainly, this had a public hearing through the Commerce Committee. It was vetted out through the legislative process, and I would certainly have to go back in the file to see if there were conversations or testimony from the utility companies, but I do not believe we did have testimony through the legislative process of hearings.

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

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Representative Cafero.

REP. CAFERO (142nd):

Once again, last question, I guess, through you, Madam Speaker. The exclusion of the telephone companies, Representative Berger, I'm with you on the small businesses being thwarted from getting into business because sometimes they're required to put these massive security deposits down, be it for utilities.

And in some cases it has been my experience also telephone. Once again, was there a reason that we specifically excluded telephone companies?

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Yes. Well, just, it was the intent of the Committee, the Commerce, when we first looked at the bill, to focus on in the language in which it was originally written in hindsight, included telecommunication companies when in fact the intent was, this year, to focus specifically on gas and electric.

So we wanted to then, after reviewing the

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language through vetting it through the legislative process, we said well this year we were going to focus on what our original intent was, and if we then needed to do that and fix that, we would address that issue through a more public process in identifying the telephone companies at that time.

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Cafero.

REP. CAFERO (142nd):

Thank you, Madam Speaker. I thank the gentleman for his answers.

DEPUTY SPEAKER ORANGE:

Thank you, Sir. Will you care to remark further on the amendment before us? Will you care to remark further on the amendment before us?

If not, let me try your minds. All those in favor please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER ORANGE:

All those opposed, nay. The ayes have it.

The Amendment is adopted.

Will you care to remark further on the bill as

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amended? Will you care to remark further?

Representative Williams of the 68th, you have the floor, sir.

REP. WILLIAMS (68th):

Thank you, Madam Speaker, and through you, a question or two to the Chairman of the Commerce Committee, please.

DEPUTY SPEAKER ORANGE:

Please proceed.

REP. WILLIAMS (68th):

Thank you, Madam Speaker. Through you to Representative Berger, I may have missed this during Representative Cafero's questioning, but just out of curiosity, how did we arrive at the month and a half in terms of the deposit that's being laid out in this underlying bill? Through you.

DEPUTY SPEAKER ORANGE:

Representative Berger.

REP. BERGER (73rd):

Yes, thank you, Madam Speaker. Representative Williams, there was discussion and we had previously discussed that but just to backtrack on that.

What we looked at through testimony and review was the normal process of say, 12-month usage and based our one and a half month on the 12-month usage potential, either for that business in one location that it previously had to the new location. Or, if a similar business was located at that location, new location, be it, that they would look at a 12-month cycle.

It was also thought that in the, and oftentimes in a real estate transaction, a security deposit of a month and a half with a two month maximum is usually industry standard.

So in reviewing the testimony through the process and discussion that we had with all the entities involved, it was arrived at one and a half months to be a fair assessment based on 12 months of usage.

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Williams.

REP. WILLIAMS (68th):

Thank you, Madam Speaker. And I thank the gentleman for his answer. I'm going to support this bill today despite the fact that it has not

gone to the Energy and Technology Committee.

I would perhaps respectfully disagree with the real estate analogy for the following reason. We heard this bill in our Committee, the Energy and Technology Committee, more than once in the last few years and I think there's a way that we can solve this problem.

I think there's a way we can help small businesses who are being faced with extraordinarily high security deposits for turning on the utility service, et cetera.

But frankly, if a company fails to pay their utility bill and gets shut off after a certain amount of time, the rest of the customers in the utility system are then forced to pick up that tab. And so, this is something that has an unintended consequence.

This will have the consequence of increasing rates when companies don't pay their utility bill, and it has that consequence, especially because it doesn't appear that there's any mechanism in here to help that particular business to make sure that that does not happen.

And so, you know, there's a lot of problems in

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our electric utility system with regard to us having the highest electricity rates in the continental United States and I'm very sympathetic to the small businesses.

I've had many of them call me and ask for my assistance in dealing with our utilities in Connecticut in terms of this. This many times becomes an artificially, or a very high, I should say, security deposit.

But the reality is, we need to take into consideration that every action that we take here, especially with regard to our electricity system, has an impact on rates.

So I look forward to, in the future, working with Representative Berger. I do sit on the Commerce Committee. I was happy to support this bill out of Committee, but I would look forward to working with him and the Energy and Technology Committee as a whole on figuring out how to best handle this.

I don't believe that this is the best way to handle it, but I also believe that the rest of the underlying bill outweighs that potential negative spot, so I would urge your support of the bill and

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look forward to working with Representative Berger  
in the future. Thank you.

REP. BERGER: (73rd):

Yes.

DEPUTY SPEAKER ORANGE:

Will you care to remark further?

REP. BERGER (73rd):

Yes, Madam Speaker, also, and I respect  
Representative Williams certainly as a person and  
as his commitment to the energy crisis that this  
state faces.

And also, as a way of comfort on this, this  
will be reviewed by DPUC to come up with  
regulations, and if there are tweaks to be made,  
certainly we can address that in future Sessions.  
Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Thank you. Will you care to remark further on  
the bill as amended? Representative Mazurek of the  
80th District, you have the floor, sir.

REP. MAZUREK (80th):

Thank you, Madam Speaker, and it's great to  
see you up there on the dais leading this  
discussion.

Madam Speaker, I'd like to thank Representative Berger, Chairman of the Commerce Committee, and I'd like to thank our Ranking Member, Representative Alberts, for the work that they did trying to put this micro business Bill together for the State of Connecticut.

So often, I think our residents see businesses going out of business in our towns, good tax paying businesses and they wonder exactly what is the Connecticut General Assembly doing about it?

And I think in this instance, I think both of you deserve an awful lot of credit for putting together the very many ideas that have gone into this legislation.

You'll recall last year that we had a bill that provided additional help to small businesses in regard to DAS contracts in the State of Connecticut, and this is an extension of that bill where we've spoken and worked with both DOT and DPW in trying to help small businesses obtain work from the State of Connecticut, and I think that's important for their survival, particularly at this time when the economy is so bad.

When we speak about it, and there was quite a

bit of discussion, ladies and gentlemen, concerning the component of this and how it relates to down payments made to the electric company, and why specifically we didn't include the phone companies on this.

I remember testimony in front of our Committee quite clearly, and that testimony came from the Restaurant Association in Connecticut. The Restaurant Association, as you would probably imagine, are people who both have to pay for phones and pay for electric service. Their specific complaint revolved around the fact of very, very high fees in order to obtain that electric service.

Let's say for example you have a restaurant in your town and they want to move down the street just a few blocks because it's a much better location for them. The Restaurant Association testified that they would have to in some times put \$16,000 down in order to move location just a few stores. They've been paying their bills all along. They've been paying phone bills all along, but yet they had to pay the exorbitant fees, and that's what prevented them from expanding their business.

So I think the Commerce Committee decided that

we needed to take a look at that and see whether we can make a small adjustment to it and help them out in that regards.

As far as our revolving loan or our loan program that we've talked about, Madam Speaker, and ladies and gentlemen, I had an electrical contractor come to me very recently, a small business in Wolcott, a micro business, under \$3 million a year, and he's had to face tremendous layoffs in his company. He says it's just heart wrenching, the people that he's had to let go in his company that have been long-time employees.

He told me further, Madam Speaker, that he's tapped every revenue source that he can think of. He's taken a second mortgage out on his house. He's maxed out his credit cards and he said, now what am I to do when I try to bid on a job in the State of Connecticut, a school project, a small project? How do I find the money to buy the materials that I need in order to accomplish this bidding process here?

So I think the Commerce Committee has addressed that, that these small businesses now have a way that they can go forward and get some

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funding to try and stay in business rather than just closing their doors.

Madam Speaker, ladies and gentlemen, I urge passage of the bill. Thank you.

DEPUTY SPEAKER ORANGE:

Thank you, sir. Will you care to remark further? Will you care to remark further on the bill as amended?

If not, staff and guests please come to the well of the House. Members take your seats. The machine will be opened.

THE CLERK:

The House of Representatives is voting by roll call. Members to the chamber.

The House is voting by roll call. Members to the chamber, please.

DEPUTY SPEAKER ORANGE:

Have all Members voted? Have all Members voted? Have all Members voted? If all the Members have voted, please check the board to determine if your vote has been properly cast.

If so, the machine will be locked and the Clerk will take a tally. And will the Clerk please announce the tally.

THE CLERK:

House Bill 5498 as amended by House "A."

Total number Voting	143
Necessary for Passage	72
Those voting Yea	143
Those voting Nay	0
Those absent and not voting	8

DEPUTY SPEAKER ORANGE:

Thank you, Mr. Clerk. The bill passes as amended. Are there any points of personal privilege? Representative Frey, Number 111.

REP. FREY (111th):

Thank you, Madam Speaker, for an introduction, please.

DEPUTY SPEAKER ORANGE:

Please proceed.

REP. FREY (111th):

Thank you, Madam Speaker. We always enjoy our visits from family. They highlight the day often, especially as we're here during late hours in the waning days of the Session and with me today are family members from Newtown, my brother-in-law, Steve, who is sitting down. He's a little shy. My sister, Tricia. My twin nieces, Joanie and Bridget

**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**COMMERCE  
PART 3  
605 – 909**

**2010**

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## COMMERCE COMMITTEE

March 16, 2010  
1:30 P.M.

CHAIRMEN: Senator LeBeau  
Representative Berger

VICE-CHAIRMEN: Senator Crisco  
Representative Zalaski

MEMBERS PRESENT:

SENATOR: Frantz

REPRESENTATIVES: Alberts, Aresimowicz,  
Gentile, Hornish, Johnston,  
Mazurek, Mioli, Morin,  
Noujaim, Perone, Santiago,  
Stripp, Williams

SENATOR LeBEAU: Before you start and as you get settled, Commissioner, for those of the public that's here and also for those that are watching, many members on the committee have other commitments and other committees this afternoon, so you will see members entering and exiting the committee room, and they will be monitoring not only in their offices but as they come into the committee.

Also, the exits are clearly marked. And we would also like if all of those that have cell phones, if they could either shut them off or put them on vibrate, so as not to disturb committee members or speakers.

So thank you, Commissioner for being patient, and you may proceed.

JOAN McDONALD: Thank you.

Good afternoon, Senator LeBeau, Representative

SB22 SB23  
HB5498

following: It allows for credits to be earned by qualified small businesses, those who employ less than 25; these credits could be used against the corporation tax, insurance companies tax, the public service tax, and the personal income tax, effective in income year 2010. The credit would equal \$2500 per employee and may be used for three successive years. It must be used in the income year earned. It must be applied for in advance and approved by the Commissioner of the Department of Economic and Community Development, just as the existing Job Creation Tax Credit works. No credits will be allowed for employees hired on or after January 1, 2013. The credit is nonrefundable. The total amount of the credits granted under this program plus the credits allowed under the current Job Creation Tax Credit program cannot exceed the \$10 million in any one fiscal year, which is what OPM and OFA have set aside for the existing Job Creation Tax Credit program.

We feel that this complementary piece to the Job Creation Tax Credit program will provide us with a more viable tool, one that will allow us to assist more businesses today as they expand their employment base in Connecticut.

Thank you for your time and consideration of my comments. We respectfully request your support for Senate Bill 22 and 23, and we welcome the opportunity to assist the committee in any way possible to move these bills forward.

REP. BERGER: Thank you, Commissioner, and thank you for your testimony.

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And my Co-Chair, Senator LeBeau, made a comment in the -- in the current meeting, we just left, on there are many bills that the Commerce Committee is hearing this year that cross pollinate, so to speak, as far as moving in the direction of probably in a parallel track, the same objectives. So we're -- we're looking forward to -- to working together with the administration in initiatives that are bipartisan here this year.

And if you'll notice on the agenda, Commissioner -- and I -- I see that you didn't speak to it -- 5498 is the microbusiness. And when we talk and -- and you talk about that loophole, and you have a -- an article from the paper there that addresses the ability of some of these nonbankable businesses being able in -- in a very tight credit market, obtaining credit to be able to expand business to create jobs, create -- create additional tax revenue for the state. So we -- we have that bill, also in front of us, that does some things similar but also addresses the microbusiness, which we've identified as 3 million in gross revenue or less.

So we're hopeful that there'll be some working together in the final package to add a funding source through your agency that will then filter down to quasi-governmentals at the local level and 501(c)s, for them to be able to kind of take care of those small, five-and-ten employee microbusinesses that your agency, you know, may not address. You want to look, maybe, at the bigger projects, you know, the -  
- the 850 jobs that your agency was able to ascertain recently for Stamford and -- and in

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Mr. Krayeske.

And certainly it's the intent and certainly the legislative intent of this committee to look at all amateur and professional sports, and certainly boxing is not left on the sideline on that idea and thought. So certainly it's our intent to pursue that, and, you know, obviously with other pursuits. So we'll look forward to -- to expanding on that. And thank you for your testimony.

JIM KRAYESKE: Thank you.

REP. BERGER: Questions from the committee members?

Thank you.

Public signup sheet, and we'll move to Paul Brady. Following Paul will be Eric Annes.

PAUL BRADY: Good afternoon.

I'm Paul Brady; I'm the Executive Director for the American Council of Engineering Companies of Connecticut, representing some 100 consulting engineering firms in the state.

I'd like to testify on Section 1 of raised Bill 5498, AN ACT CONCERNING MICROBUSINESSES. Section 1 of the bill would require the Department of Public Works to include whether a design professional, as a microbusiness, as one of the qualifications in the selection process that they use.

I guess we have some problems with that. The selection process is called "qualifications-based selection." If we start adding other

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qualifications to it, it may conflict with the goals that -- that they're trying to -- specifically trying to determine a -- the best qualified firm for.

Also, there's quite often on DPW projects, there are teams of firms, so you may have a -- an architect, a structural engineer, a civil engineer, a geotechnical engineer, interior designers, surveyors, any number of businesses on a team that's being selected. And it might be difficult to determine, you know, which members of the team are microbusinesses, is the team as a whole a microbusiness or not? And so what I suggest is that perhaps you might want to look at including the microbusiness requirement as part of the goals for each project, overall, such as the MBE and DBE goals that -- that you establish for projects.

Some of the other things that DPW does that you might want to consider, they use on-call projects -- on-call contracts for small projects. And using a microbusiness requirement might be a better idea on their on-call projects rather than on their major projects. It -- it -- I think it would fit better.

Some other things we -- we could also suggest would be one of the major impediments to small businesses doing business with the department is their insurance requirement, the professional insurance requirement, \$2 million. We just had several firms have a -- a lot of difficulty working for the State of Connecticut because of the higher insurance premiums that they would have to pay to -- to

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do work for the state. So there are some things that, you know, could be done and -- but I think this particular approach isn't going to work just now.

Thank you.

REP. BERGER: Okay. Thank you for your testimony.

Any questions from members of the committee?

ERIC ANNES: Good afternoon, Senator LeBeau, Representative Berger, Senator Frantz, and Representative Stripp.

My name is Eric Annes; I am the Legal Fellow at Connecticut Fund for the Environment. We are a not -- we are a not-for-profit organization with over 4500 members, statewide. For 30 years, we have used law, science, and education to protect and preserve Connecticut's natural resources.

CFE opposes raised Bill 5499. This bill is unnecessary and ill-conceived. Section 1 of the bill mandates an across-the-board reduction in standards for small businesses. These reductions will be mandated regardless of merit. While we believe that many of these exceptions are appropriate in particular cases, we do not believe that they should be required as a matter of law without regard to specific circumstances.

SB453

CFE has no objection with the use of regulatory methods that minimize adverse impacts on small businesses. For that matter, CFE supports regulatory methods that minimize adverse impacts on any business, big, small or

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RON CRETARO: Senator LeBeau, and Representative Berger, members of the committee, I'm Ron Cretaro, the Executive Director of the Connecticut Association of Nonprofits.

Our member -- we have 500 member organizations, 300 of which are health and human service organizations that provide -- have contracts with the State of Connecticut. We also have member -- other members that -- including arts and culture, agriculture, environmental and economic development, and educational organizations which hold contracts with Connecticut state government.

I'm here today to support House Bill 5498, AN ACT CONCERNING MICROBUSINESS, which I want to highlight Section 4, which makes nonprofits eligible for loans under this legislation. I'm also here to ask to you to amend the appropriate sections of three other bills to - - 22, 23, and 450 -- to include nonprofit organizations and the definition of small business to make nonprofits eligible to participate and to regard them as respected contributors to our state's economy.

According to state -- the Connecticut Department of Labor, nonprofit employment represents about 11 percent of all Connecticut employment. There are 185,000 individuals employed in the nonprofit sector, and wages paid in 2008 were \$8.7 billion.

Over 93 percent of nonprofits had an -- have an annual income of \$1 million or less. And nearly 75 percent of all charities, which are tax-exempt nonprofits, have annual expenses or

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less than \$500,000.

Further, nonprofits have too few alternatives when it comes to accessing capital and credit. What is particularly missing is a vehicle to provide loan guarantees when the State of Connecticut fails to execute a contract or pay a provider on time.

In 2009, a survey of our membership revealed that 42 percent of respondents had received late payments from the state, with some upwards of 60 days late. Late payments by the state create a cash -- a cash flow problem for nonprofits that only lead to one or two actions. The money used from budget reserves or -- and lose out on valuable interest that those funds could otherwise accrue in the bank or access a credit line from a bank and pay interest to the -- on those funds. Both actions are a direct result of the state not paying a provider on time.

For your information purposes, there are approximately 700 indistinct organizations which contract with Connecticut state government for health and -- and human services with a cumulative amount of about \$1.3 billion.

Anyway, my time is up and we -- we want -- I want to just ask you that you consider this as you pursue these pieces of legislation.

REP. BERGER: Okay. Thank you for your testimony and -- and your thoughts.

Any questions or comments from committee members?

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And that's it.

JESMIN K. BASANTI: Good afternoon, Representative Berger, members of the Commerce Committee. My name is Jesmin Basanti, with the Connecticut Business and Industry Association, and I'm here to talk in support of the overall goal of four bills on the agenda today, Senate Bill 22, AN ACT CONCERNING SMALL BUSINESS ASSISTANCE; Senate Bill 455, AN ACT CONCERNING CONNECTICUT SPORTS AND MARKETING CORPORATION; House Bill 5498, AN ACT CONCERNING MICROBUSINESSES, and House Bill 5500, AN ACT CONCERNING THE OFFICE OF SMALL BUSINESS AFFAIRS AND ESTABLISHING THE SMALL BUSINESS ADVISORY BOARD.

We all know that it's become increasingly important to develop a good business climate in Connecticut, especially given some of the press that our states have received over the last few days. These types of measures would lead to entrepreneurial potential being realized in our state as well as efficient contracting, higher productivity, job creation, and overall economic growth. These measures would therefore also garner business support and reaffirm belief from the business community that state government is really committed to a better business climate in Connecticut.

We appreciate any effort the Legislature can take to expand tax incentives to small businesses, offering them assistance with growth and sustainability and providing one-stop service centers where they can receive business assistance.

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So we also think that these measures are a hole-in-one and appreciate the committee's continuing support for business climate in Connecticut.

Thank you.

REP. BERGER: Thank you, Jesmin. Nice segue there.

Comments or questions?

Thank you for your --

JESMIN K. BASANTI: Thank you.

REP. BERGER: Eric Brown.

ERIC J. BROWN: Good afternoon, Representative Berger, and members of the Commerce Committee.

I'm Eric Brown, also with CBIA. Normally, three is a charm, but clearly two is a charm, in this case, and I'll just be taking up the tail end of this.

But I am -- I'm here to -- I'm here to testify briefly on two bills, raised Bill 453, on the state's regulatory climate and 5499, promotion of business.

I certainly agree with my -- my friend Marty Mador in his statement about the importance of having a strong business and economic climate along with an environmental climate, and they go hand-in-hand. The problem is we have probably the best environment we've had in, you know, over 150 years; we've got one of the worst economies we've had in -- in decades.

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ERIC J. BROWN: Sure. I'd be glad to do that.

REP. JOHNSTON: Or --

REP. BERGER: Thank you, Representative.

REP. JOHNSTON: Thank you, Representative.

REP. BERGER: Thank you, Eric, for your testimony.

ERIC J. BROWN: Thank you, very much.

REP. BERGER: Andy Markowski.

ANDY MARKOWSKI: Good afternoon, Mr. Chairman,  
members of the committee.

My name is Andy Markowski; I'm the State  
Director for the National Federation of  
Independent Business, better known as "NFIB."

I submitted written testimony in support of  
eight bills on the agenda today. I'll just  
briefly list them and then summarize some key  
points. NFIB is supporting Senate  
Bills 22, 23, 450, 452, 453, as well as House  
Bills 5498, 5499, and 5500.

I especially want to thank the Chairs, the  
ranking members, all the proponents of all of  
these bills, which I think certainly send a  
positive message about the business  
environment in Connecticut.

So often, you hear a lot about the negative  
business climate that we're faced with here  
and how there's a chilling effect, how the  
mere introduction, even, of certain bills,

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such as paid sick leave, for example, puts businesses on edge. And, of course, this only compounded by what's happening at the federal level right now. Certainly that's nothing that the General Assembly has any control over, but I would encourage the entire Legislature to take a lesson from the Commerce Committee and -- and put forth bills, such as the ones that are on the agenda today which combat that chilling effect. They actually send a positive message.

We heard a lot today about credit and credit issues. I just wanted to point out a couple things. Credit markets are tight, certainly; that's no secret. But it's a very, very complex problem. NFIB has -- has researched this in depth. Our national research foundation last month put out a report, based on a national survey of small business owners. And basically what that report found was that lack of sales is the number one problem of small businesses right now. The need for credit, a demand for credit was actually very low down on that list.

I've included a executive summary of those survey results, along with my written testimony. I also plan on sending to the committee a -- a link to the .pdf file. It's a rather lengthy document that explains this more in depth.

But the other part about those findings that were interesting, when you look at the reason why credit is tight, it's also tied into the real estate market. As real estate values have become depressed, the usage of real estate as collateral, et cetera, for loans or

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for refinancing, et cetera, which is a very, very common tactic for many small business owners, as that area has tightened, so has the ability to -- to take out loans.

Tax credits. Several of the bills before you today impose a -- a tax credit for new hires. NFIB is firmly supportive of that, particularly the fact that these Job Creation Tax Credits for the first time apply to any new job, which is a positive step forward, as well as the fact that the credits will apply to past-through entities, of which many small businesses are, S corps, LLCs or file on their person income taxes.

So with that, I will end my comments. And, again, I thank the committee.

REP. BERGER: Okay. Thank you, Andy, for sticking around and -- and having your comments to the committee. I look forward to your continued support for these commerce bills.

Thank you.

ANDY MARKOWSKI: Thank you.

REP. BERGER: Chuck Stedman. Chuck Stedman. No? Okay. He's not here.

Okay, that will conclude the public hearing, Commerce Committee meeting for today.

Our next scheduled meeting is for Thursday; that date and time is to be yet determined.

Thank you.



**Testimony**  
**Robin Wilson**  
**Quinnipiac Chamber of Commerce**  
**Before the Commerce Committee**  
**March 16, 2010**

The Quinnipiac Chamber of Commerce supports provisions in the following bills which create a small business assistance and loan program:

- **SB-22 - AN ACT CONCERNING SMALL BUSINESS ASSISTANCE** – Authorizes DECD to create a small business assistance and loan program
- **SB-450 - AN ACT ESTABLISHING A REVOLVING LOAN FUND FOR SMALL BUSINESSES** – Establishes a revolving loan fund for small business and imposes a tax on large bonuses paid to employees of firms that received TARP funds.
- **HB-5498 - AN ACT CONCERNING MICRO BUSINESSES** - To facilitate micro businesses participation in state contracts, examine excessive business utility deposits and provide loan funds to the state's small businesses.

A number of our small business members have indicated that obtaining financing for expansion and new projects is very difficult, creating barriers for economic development.

Small businesses are vital to Connecticut's economic health. This legislation will ensure that Connecticut's small businesses have access to low-cost loans that will allow them to move forward with new projects, expand their businesses or purchase needed equipment, all of which will help grow our economy and create jobs in our state.

Since March 2008, Connecticut has lost 94,500 jobs. Given the job losses and high unemployment rate, creating a more competitive business climate that nurtures and supports job growth must be a top priority this year.

In addition to addressing the availability of credit, the Quinnipiac Chamber urges you to take other steps to create a competitive business climate in this state by rejecting legislation that will add to the cost of doing business. Legislation such as the paid sick leave mandate sends a very negative signal to the business community that undermines the state's efforts to encourage job creation.

*The Quinnipiac Chamber of Commerce serves more than 750 member companies from the North Haven and Wallingford area. We are the largest non-metropolitan chamber in the state.*



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CONNECTICUT BUSINESS &amp; INDUSTRY ASSOCIATION

**Testimony of Jesmin K. Basanti  
Staff Attorney, CBIA  
Before the Committee on Commerce  
Hartford, Connecticut  
March 16, 2010**

Good Morning Senator LeBeau, Representative Berger and other members of the Commerce Committee. My name is Jesmin Basanti, Staff Attorney for the Connecticut Business and Industry Association (CBIA). CBIA represents approximately 10,000 member companies in virtually every industry and the vast majority of our member companies have fewer than 50 employees.

CBIA has always supported measures that promote economic development and awareness of our business climate in Connecticut. For these reasons we support the following bills:

- **S.B. 22 An Act Concerning Small Business Assistance**
- **S.B. 455 An Act Concerning the Connecticut Sports and Marketing Corporation**
- **H.B. 5498 An Act Concerning Micro Businesses**
- **H.B. 5500 An Act Concerning the Office of Small Business Affairs and Establishing the Small Business Advisory Board**

It is unyieldingly important to develop a good business climate, within which private sector activity actually flourishes. This leads to entrepreneurial potential being realized, efficient contracting, higher productivity, job creation, and overall economic growth. A bad business climate results not only in the general inability of the state to attract investment and business, but also leads to economic dumping where the state ends up expending valuable resources on overcoming regulatory burdens rather than on productive activities.

Measures like these will not only garner the support of the business community but will reaffirm their belief that state government understands the importance of keeping them viable and in Connecticut.

Furthermore, any measure that state government can take to expand tax incentives to small businesses, offer them assistance with the growth and sustainability of their company, and provide them with a one-stop service center, will not only foster good will but will allow those businesses to expand, to create more jobs for people in this state and help grow our economic base.



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CONNECTICUT

TESTIMONY OF  
 NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)  
 BY  
 ANDY MARKOWSKI, CONNECTICUT STATE DIRECTOR

**SUPPORTING**

**SB-22, AN ACT CONCERNING SMALL BUSINESS ASSISTANCE;  
SB-23, AN ACT ESTABLISHING A QUALIFIED SMALL BUSINESS JOB CREATION  
 TAX CREDIT;  
SB-450, AN ACT ESTABLISHING A REVOLVING LOAN FUND;  
SB-452, AN ACT ESTABLISHING METRICS TO MEASURE THE OUTREACH  
 EFFORTS OF THE STATE'S ECONOMIC DEVELOPMENT AGENCIES;  
SB-453, AN ACT CONCERNING THE STATE'S REGULATORY ENVIRONMENT;  
HB-5498, AN ACT CONCERNING MICRO BUSINESSES;  
HB-5499, AN ACT CONCERNING THE PROMOTION OF BUSINESS;  
HB-5500, AN ACT CONCERNING THE OFFICE OF SMALL BUSINESS AFFAIRS  
 AND ESTABLISHING THE SMALL BUSINESS ADVISORY BOARD**

BEFORE THE  
 COMMERCE COMMITTEE  
 MARCH 16, 2010

A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees and membership is scattered across the state and ranges from sophisticated high technology enterprises to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, I thank the Chairs, Ranking Members, and the Committee for raising and hearing the aforementioned bills and I offer the following comments:

NFIB/Connecticut supports the entire package of bills heard today as an attempt to assist struggling small businesses. We applaud the proponents' desires to help small businesses and the recognition that small businesses and entrepreneurs are indeed the engine that drives the state's economy. As state lawmakers work towards solutions to help turn the economy around and focus on helping small businesses, whether through this bill or other pending legislation, it should also be noted that in addition to what many think of as a traditional small and micro businesses, it's actually the "midsize" small and independent businesses that will lead us out of the recession (See *Hartford Courant*, "Midsize Companies Key To Economic Recovery", 2/14/10).

NFIB/Connecticut applauds the proponents for taking various initiatives contained in these bills to tackle issues relative to small business and credit. Small businesses caution, however, that these types of proposals unfortunately sometimes miss the mark and are often widely regarded as some type of "silver bullet" solution to what is a very complex problem.

A first-of-its-kind survey released last month by the NFIB Research Foundation titled "Small Business Credit In A Deep Recession" (Executive Summary Attached), found that *51 percent of small-business owners reported a lack of sales as their greatest challenge. Only 8 percent cited a lack of loans. Many small-business owners say they're still grappling with a more basic problem: They don't have enough customers.*

Additionally, the problem is even more complex. The drop in home prices has made it harder for many small-business owners to qualify for loans because they can no longer pledge their homes as collateral, an extremely common approach for many small businesses.

The survey's findings show that while obtaining credit has become more difficult, declining sales and/or depressed real estate values typically lie at the base of credit problems. That means current small business problems will not be solved by simply focusing on lending issues. Lawmakers need to tackle weak demand and real estate.

Tackling weak demand requires growth in the economy and a stable state legislative environment in which small business owners can enjoy some sense of certainty without fear of the next mandate or tax hike. More liquidity in financial markets won't necessarily solve the problem. Weak demand will also not be cured by government spending initiatives.

While all of the bills in this package are very well-intentioned and we support them, NFIB/Connecticut members suggest that there are numerous additional and perhaps even more impactful measures that state government can take that will help small business, including, but not limited to: 1) Demonstrating fiscal responsibility and reducing state government spending; 2) Refraining from adding any more government mandates on business, small and large alike; 3) Ensuring that workplace freedom continues to thrive; 4) Enacting responsible reforms to the state's unemployment insurance compensation system to prevent or mitigate tax increases as result of the fund's insolvency; 5) Reducing the regulatory burden on small businesses in the state; 6) Focusing on positive healthcare reform measures that reduce costs and increase choice and competition; 7) Enacting meaningful tax relief for small businesses.

Again, NFIB/Connecticut thanks all of the proponents of these bills and the entire Commerce Committee for hearing them and making small business issues a priority this session. As such, we would also like to offer the following specific comments on some of the bills before the Committee today.

#### SB-23

While for most small businesses, the availability of this tax credit will not be a deciding factor in whether to expand and hire new employees, in the current time of economic uncertainty, enactment of this important tax incentive sends a positive message about

our state's business climate will hopefully encourage our small-business community to invest and expand here in Connecticut.

#### SB-450

NFIB/Connecticut is supportive of the intent of this bill; however, we do have concerns about some of the specific funding mechanisms called for in the legislation.

Regarding Sections 1 & 2 of the bill, NFIB is generally not supportive of any tax policy that would impose new or higher taxes on a particular group even when the revenue would be directed toward a small business benefit. While NFIB/Connecticut members, like many American taxpayers, are concerned about the bonuses paid out by TARP recipient entities, small businesses can and do benefit from the economic activity generated from bonus recipients. It is not necessarily a bad thing in this economy for people to have additional money in their pocket, so-to-speak, to spend and invest in their communities. Bonus recipients spend money in local restaurants and retail establishments. They hire local contractors to landscape or remodel their homes. They patronize professional service firms, etc. Punishing those individuals who have rightfully earned bonuses from their employers sets bad precedent for all employees, including those who work for small businesses, and sends an economic chill through the state.

Regarding Sections 3 & 4 of the bill, NFIB/Connecticut members are concerned about and would caution against using state bonding to fund a small business assistance account. Connecticut has one of the highest indebtedness in the country. Unfortunately, because revenues continue to drop, our percentage of debt in relation to how it funds the overall budget has increased. Recently proposed bond projects have been canceled in order to comply with state law and prevent a downgrade of our bond rating. Small business owners suggest that the state should only be borrowing what it can afford to pay back. Our state bond indebtedness only adds to the current economic uncertainty being felt by all. Again, NFIB/Connecticut cautions that weak demand will not be cured by government spending (or borrowing) initiatives, no matter how well-intentioned they may be. (These same aforementioned concerns also apply to SB-22 relative to bonding).

#### SB-453 & HB-5499

NFIB/Connecticut supports these bills as a common sense approach that not only will provide for a better understanding of the regulatory process and its impact on small business, but can also ultimately result in better drafted and administered regulations, to the benefit of small businesses and regulators alike.

A problem most frequently cited by small business is complying with regulations, many with unclear or confusing instructions. Overall, small businesses need to know how a particular regulation will impact their business and be able to recognize what they must do to comply with a regulation. Regulatory simplicity can save small business and the State of Connecticut time, effort and money. Cumbersome regulations have the effect of a hidden tax, discouraging expansion and causing expensive delays for both start-up and existing companies.

In the 2008 edition of "*Small Business Problems & Priorities*" by the NFIB Research Foundation, "Unreasonable Government Regulations" ranked as the 6<sup>th</sup> greatest problem of concern from small business owners, up from its 9<sup>th</sup> position in 2004. Much like taxes, this generic problem category costs small businesses in several ways: understanding and keeping up-to-date with compliance requirements, costs of consultants, employee time, management time, direct outlays, lost productivity and/or sales, forgone opportunities, etc. The federal government alone proposes approximately 150 new rules every year that cost business owners over \$100 million per rule in compliance costs. Adding state and local laws and regulations that sometimes duplicate federal regulations, merely raise the cost and frustration level for small business.

Lawmakers often ask small business to point to specific regulations which are particularly burdensome, however, that can sometimes prove to be a difficult task. The burden and impact of regulations varies greatly by industry. Additionally, for many small businesses, it is the cumulative effect of regulations that proves to be the biggest burden.

A few specific categories of regulations can be easily cited. For example, one of the foremost concerns of NFIB members is the amount of paperwork they are required to file with various levels of government. NFIB members believe that owners ought to be spending their time working on and in their business, not filling out forms for the government. Other categories of regulatory problems frequently cited by small business owners include "frequent changes to tax laws and rules"; "applications for licenses and permits"; "environmental regulations"; "health/safety regulations"; and "finding out about regulatory requirements."

Additionally, a consideration of the regulatory impact on small business would not be complete without concurrent consideration of the impact of taxes. With regard to taxes, "tax complexity" now ranks as the 5<sup>th</sup> biggest problem of concern in the 2008 "*Small Business Problems & Priorities*". This problem is deemed "critical" by 23 percent of small business owners. Tax complexity has reached a point where 88 percent of small business owners opt to pay a tax preparer or accountant to do their tax returns on business income. In addition to "tax complexity", three other tax-related issues make the top 10 list of problems of greatest concern for small business owners. "Federal taxes on business income" ranks 3<sup>rd</sup>; "Property Taxes (Real, Inventory or Personal Property)" ranks 4<sup>th</sup>, up from 6<sup>th</sup> in 2004; and "State Taxes on Business Income" ranks 6<sup>th</sup>, up from 9<sup>th</sup> in 2004.

A Program Review & Investigation study of the impact of the state's regulatory environment on small businesses as called for in SB-453 as well as the changes contained in Section 1 of HB-5499 will go a long way toward creating a better regulatory environment and ultimately, hopefully provide some relief for Connecticut's struggling small businesses who are mired to death in "red-tape" as well as time and money spent on regulatory compliance.

#### HB-5498

NFIB/Connecticut specifically supports Section 3 of this bill as an attempt to assist struggling small businesses that face some of the highest electrical and other energy costs in the nation. In the 2008 edition of "*Small Business Problems & Priorities*" by the

NFIB Research Foundation, two energy-related topics ranked in the top 10 problems faced by all small business owners nationally. "Energy Costs, Except Electricity" ranked as the 2nd greatest problem of concern from small business owners, up from its 4<sup>th</sup> position in 2004. This problem is deemed as "critical" by 43 percent of small business owners. "Electricity Costs (Rates)" ranked 9<sup>th</sup> in 2008, up from 10<sup>th</sup> in 2004 and 19<sup>th</sup> in 2000. Anecdotally, however, we know that this problem is indeed greatly exacerbated for Connecticut's small businesses.

Generally, small business owners use energy for a number of purposes essential to their business, including lighting, heating and/or cooling and operating equipment. Rising electricity costs in particular have great consequences for small businesses.

Start-ups and new businesses, however, are particularly vulnerable to not only the high cost of energy, but also the fluctuating rates. Recent surges in energy costs, combined with the current credit crunch, form a barrier that many businesses cannot afford. Entrepreneurs, who are already risking their own capital in trying to get a business off the ground, are often faced with restricted cash flow and view large security deposits for utilities as one more impediment to their success.

Section 3 of HB-5498 will go a long way to help entrepreneurs get their businesses off the ground and help them and regulators alike understand one of the many economic challenges small businesses are facing.

Regarding Section 4 of HB-5498, NFIB/Connecticut suggests that in subsection (b), subpart (1), line 320, that the minimum number of employees should be 1 or more, up to any specified maximum. If the intent of this section is to truly benefit the smallest of small businesses and those who can not receive loans through traditional lenders, it does not make sense to put a minimum threshold on the criteria which must be incorporated into the development of the regulations as specified by statute. As currently written, a struggling entrepreneur with 3 employees, for example, would not be eligible for the loan program.

#### SB-452

NFIB/Connecticut supports this bill as a means of promoting transparency and fiscal accountability within state government; specifically, those agencies responsible for providing small business assistance. Small business owners routinely utilize metrics and perform a cost-benefit analysis when making business decisions, it only makes sense that all state agencies and programs are subject to such.

#### HB-5500

NFIB supports this bill, much like we supported the Governor and the Legislature for their original creation (and subsequent elimination) of the Office of the Business Advocate. At the time, the creation of the OBA moved Connecticut forward in assisting and promoting small businesses, having joined fellow New England states Rhode Island, Maine, and Massachusetts in having a full-time advocate to work on behalf of small business. This legislation, fortunately, attempts to move back in that direction by

## EXECUTIVE SUMMARY

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- Many policymakers misidentify the fundamental bases of small business problems, leading to promotion of faulty policy. The principal immediate economic problem for 51 percent of small employers remains slow or declining sales, six percentage points more citing the problem than one year ago. Uncertainty was identified by over one-fifth (22%) as theirs, followed by access to credit (8%) and falling real estate values (8%), virtually the same as last year. Even among owners who report they cannot get credit, twice as many cite poor sales as cite credit access.
- The percentage of small business owners holding a business loan or credit line each fell almost 20 percent in the last year, though the number of loans and lines outstanding per owner with at least one loan or line remained almost constant. The percentage holding a business credit card(s) fell by about 10 percent. Sixty-two (62) percent pay off their card balances monthly, leaving 38 percent using business cards as a source of credit.
- The financial institution extending a line of credit changed the terms/conditions of the line(s) during 2009 for 29 percent of small employers having at least one. About 10 percent with a business loan had the same experience as did 22 percent with a business credit card. The most frequent change was increased interest rates.
- Fifty-five (55) percent of small employers attempted to borrow in 2009; 45 percent did not, although five percent of owners, so-called discouraged borrowers, did not try because they did not think they could obtain credit.
- Forty (40) percent of small business owners attempting to borrow in 2009 had all of their credit needs met; 10 percent had most of their needs met; 21 percent had some of their needs met; and, 23 percent had none of their credit needs met. The current level of borrowing success is significantly lower than in the mid-2000s when up to 90 percent had their most recent credit request approved.
- In 2009, about 20 percent of small employers attempted to obtain each of the following types of credit: vendor loans, credit lines, renewal of credit lines, business loans, and business credit cards. The least difficult to obtain was a credit card (73% successful); the most difficult was a new line of credit (38% successful).
- The best predictors of success in meeting credit needs were: higher credit scores, customers of banks with less than \$100 billion in assets, more properties collateralized for business purposes, and fewer second mortgages held. Owners of larger small firms, older businesses, and businesses located in states with relatively few home foreclosures are also frequently good predictors of success in obtaining certain types of credit.
- Overwhelmingly, the most common planned purpose of credit rejected was to fill cash flow needs. Though many prospective borrowers had multiple planned purposes for rejected credit, about one in three sought at least some money to replace plant, equipment and vehicles with a non-mutually exclusive third intending to invest in additional plant, etc.
- Falling real estate values (residential and commercial) severely limit small business owner capacity to borrow and strains currently outstanding credit relationships. Ninety-five (95) percent of small employers own real estate, including a primary residence, the business premises (commercial), or investment real estate that is neither of the two. Twenty (20) percent hold one or more mortgages on real estate that finances other business assets and 11 percent use real estate as collateral for business purposes. A non-mutually exclusive 20 percent hold a second mortgage on a property. Thirteen (13) percent report at least one property upside down.
- Broad and deep real estate ownership is a major reason why small businesses have not yet begun to recover, why larger businesses have been able to recover more quickly than small businesses, and why this recession is different, at least for small business owners, from recent ones.



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Permanent Commission on the Status of Women

*The State's leading force for women's equality*

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**Testimony of  
 The Permanent Commission on the Status of Women  
 Before the  
 Commerce Committee  
 March 16, 2010**

**In Support of:**

**SB 450, AAC a Revolving Loan Fund for Small Businesses**

**H.B. 5498, AAC Micro Businesses**

Senator LeBeau, Representative Berger and members of the committee, thank you for this opportunity to provide testimony on the above referenced bills on behalf of the Permanent Commission on the Status of Women (PCSW). PCSW supports the concepts of these bills which would assist small businesses and micro businesses to create and maintain jobs.

Small businesses are the engine of growth for our economy. Women own more than 50% of small businesses (10.4 million firms), employ more than 12.8 million people, and generate \$1.9 trillion in sales.<sup>1</sup> Between 1997 and 2006, the number of businesses owned by women grew at twice the rate of all firms – 42% versus 24%.<sup>2</sup>

H.B. 5498 specifically addresses micro businesses, which are businesses that employ five or fewer people. Microenterprises are the greatest job generator during all business cycles. Microenterprises are dominated by women and generally start as part-time, home-based businesses. In 2005, there were 320,399 microenterprises in Connecticut, with an annual payroll of \$6.7 million.<sup>3</sup> In 2002, microenterprises grossed over \$1.9 billion.<sup>4</sup>

<sup>1</sup> The Center for Women's Business Research, *2008 Key Facts Update*.

<sup>2</sup> The Center for Women's Business Research, *2008 Key Facts Update*.

<sup>3</sup> 2005 US Census Findings.

<sup>4</sup> Ibid.

# ACEC

AMERICAN COUNCIL OF ENGINEERING COMPANIES  
of Connecticut



## TESTIMONY BEFORE THE COMMERCE COMMITTEE REGARDING RAISED HOUSE BILL 5498

Tuesday, March 16, 2010

Good afternoon, my name is Paul Brady. I am the Executive Director of the American Council of Engineering Companies of Connecticut, representing some 100 consulting engineering firms and over 1,200 employees in the state. I would like to testify in opposition to Section 1 of Raised House Bill 5498, AN ACT CONCERNING MICRO BUSINESSES.

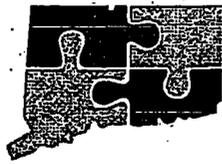
Section 1 of the bill would require the Department of Public Works to include whether a design professional is a micro business as one of the qualifications. Under this statute design professionals are ranked by a selection panel based on their qualifications for a particular project. The Commissioner then negotiates a scope of services and fee with the top ranked design professional firm. If the Commissioner and the firm don't reach an agreement, the Commissioner then negotiates with the next ranked firm. The rankings are based on qualifications and experience of the members of the design team and usually include several firms and disciplines: architects, geotechnical engineer, civil engineer, structural engineer, mechanical and electrical engineers, landscape architects, interior designers, etc. Each of those disciplines may be a different firm.

We strongly believe that these selections should be based on the professional qualifications of the designers, including the experience and capacity of the firm to deliver the project within the project schedule. While larger firms may have large capacity for large projects, smaller firms have an advantage of devoting the professional skills of principals to projects that fit their size.

I was unable to locate the definition of micro business located in section 4a-59(c). But if it is similar to the definition in section 2 of the bill, then most of my member firms would qualify for this designation. Rather than assist a few small firms, this would put a few large firms at a disadvantage.

Thank you for your attention.

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**CONNECTICUT  
ASSOCIATION  
of NONPROFITS**

*...to serve, strengthen  
and support Connecticut's  
nonprofit community.*

**COMMERCE COMMITTEE TESTIMONY**

March 16, 2010

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**H. B. No. 5498 (RAISED) AN ACT CONCERNING MICRO BUSINESSES.**

**S. B. No. 22 AN ACT CONCERNING SMALL BUSINESS ASSISTANCE.**

**S. B. No. 23 AN ACT ESTABLISHING A QUALIFIED SMALL BUSINESS JOB  
CREATION TAX CREDIT.**

**S. B. No. 450 (RAISED) AN ACT ESTABLISHING A REVOLVING LOAN FUND FOR  
SMALL BUSINESSES**

Senator LeBeau, Representative Berger and members of the Commerce Committee, I am Ron Cretaro, Executive Director of Connecticut Association of Nonprofits (CT Nonprofits). We are the largest membership organization in Connecticut dedicated exclusively to working with nonprofits in Connecticut. Our membership numbers more than 500 organizations, 300 of which are health and human service purchase of service contractors with the State of Connecticut. Others members, including arts and culture, agricultural, environmental, economic development and educational organizations also hold contracts with Connecticut state government.

I am here today to support H.B. 5498, An Act Concerning Micro Businesses, especially Section 4, which makes nonprofits eligible for loans. I am also here to ask you to amend appropriate sections of SB 22, SB 23, and SB 450 to include nonprofit organizations in the definition of small business; to make nonprofits eligible to participate; and to regard them as respected contributors to our State's economy.

According to the Connecticut State Labor Department data: Nonprofit employment represents approximately 11% of all Connecticut employment:

**2008: 185,677 (approximately 4% increase)**  
**2007: 180,654**

**Total nonprofit wages paid: 2008: \$8.7 billion**  
**2007: \$8.1 billion**

(Note: This above data does not separate 501(c)(3) charitable nonprofits from other 501(c) nonprofits.) Over 85% of all nonprofit employment and wages are in two categories defined by the Labor Department: a) Health Care & Social Assistance (includes hospitals) b) educational services (includes colleges & universities).

According to the National Center For Charitable Statistics for 2008, there are **12,334 nonprofits or public charities in Connecticut** and an additional 2,051 private foundations, which are also charitable nonprofits. Those 12,324 have a total revenue of \$26.7 billion and total assets of \$75.7

billion. There are an additional 5,960 other 501(c) nonprofits in Connecticut which are not charitable. (civic leagues, labor organizations, chambers of commerce, veterans organizations, cemeteries, credit unions, social and recreational clubs, etc.). Of the 12,334 number, 7,175 organizations have gross receipts of \$25,000 or more and must report annually to the Internal Revenue Service.

**Over 93 percent of nonprofits have an annual income of \$1 million or less, and nearly 75% of all charities have annual expenses of less than \$500,000. (Source: The Urban Institute, National Center for Charitable Statistics, Nonprofit Almanac 2008).**

Further, nonprofits have too few alternatives when it comes to accessing capital and credit. What is particularly missing is a vehicle to provide loan guarantees when the State of Connecticut fails to execute a contract or pay a provider on time. In 2009, a survey of our membership revealed that 42% of respondents had received late payments from the state, with some upwards of 60 days late. Late payments by the state create a cash flow problem for nonprofits that ultimately lead to one of two actions: use money from budget reserves and lose out on valuable interest that those funds would otherwise accrue in the bank, or access a credit line from a bank and pay interest on those funds. Both actions are a direct result of the state not paying a provider on time for contracted services.

For information purposes, there are approximately 700 individual organizations which contract with Connecticut State Government for health and human services. The cumulative amount of those contracts approaches \$1.3 billion.

I wish to be clear. There are opportunities available in some communities for nonprofits to access revolving loans for cash flow that are provided through nonprofit financial entities such as the Hartford Economic Development Corporation or the New Haven Community Loan Fund. However, this access does not exist evenly in all parts of the state, except through commercial entities. Unfortunately, banks have tightened their lines of credit and are less likely to provide a loan if they are unsure that the state will ultimately pay on the contract – as is the case both with late payments and the current threats of cuts and rescissions due to the budget deficit. That is why some form of loan guarantee would be of invaluable assistance to nonprofits. We are critical partners with the state in the delivery of health and human services and help the state accomplish its mission of serving the people of Connecticut. We hope that the state will support us in these efforts.

We would appreciate your assistance in addressing this issue.

### Additional Points about the Role of Nonprofits as Employers

- Connecticut's charitable nonprofits and their employees are on the front lines of helping Americans when they are sick or hungry or poor and disadvantaged; conducting research to prevent and cure disease; offering opportunity through education; protecting our environment; and enriching our lives through the arts, faith, and other programs, many of which lessen the burdens of government.
- Longstanding federal policy extends tax-exempt status to organizations that dedicate and restrict themselves to these activities that serve the public good. In addition, these organizations must return all surplus revenues to their missions, and not to the benefit of individuals or shareholders, and must provide extensive public disclosure of their financials and other activities.
- While required to return surpluses to their missions rather than pay income taxes, nonprofit organizations do pay payroll taxes as employers and unrelated business income taxes.
- Small nonprofit employers have the same limitations and disadvantages as their for-profit counterparts, and would be placed at a disadvantage in competition for employees if they are not treated equally in incentives.

Nonprofits add real value to local communities and individual lives providing valued benefits to Americans everyday, including:

- *Entering the World:* community hospitals, health clinics, home health aides
- *Nurturing the Young:* after-school care, youth development programs
- *Lifelong Learning:* nonprofit preschools and kindergartens to elementary through post-secondary
- *Feeding the Body:* food banks, meals on wheels, soup kitchens
- *Fueling the Mind:* arts and culture, public radio, literacy groups, libraries
- *Earning a Living:* workforce development, credit counseling, child care
- *Healing the Body:* blood banks, clinics, substance abuse centers, disease eradication
- *Protecting the Body:* domestic violence centers, elder care, public health campaigns
- *Sheltering the Body:* homeless shelters, affordable housing developers, assisted living
- *Exercising the Body:* youth sports, summer camps, sports clubs
- *Nurturing the Spirit:* places of worship, service organizations, volunteer centers
- *Departing the World:* hospices, organ donation organizations

**Federal Small Business Tax Credit and Nonprofits:**

President Obama recently announced details of the small business tax credit that he proposed in his State of the Union address. Fortunately, unlike the White House's first enunciation of its national health insurance reform, this proposal included nonprofits as potential targets. The message is that nonprofits are employers too.

The plan is to give small businesses a \$5,000 tax credit for each new worker hired in 2010. Employers would also get a credit for raising their payroll either through wage increases or increased hours, equivalent to offsetting the increase in their required Social Security tax contributions. Nonprofits would be able to participate by taking the tax credit against their quarterly withholding payments.

If nonprofits are able to hire new workers, the credit will work for them. The White House is motivated partly by the news of a 5.7 percent increase in the nation's GDP in the fourth quarter of 2009, without a corresponding increase in hiring. Employers may be investing in equipment and inventory (or not cutting inventory as quickly as before), but they are still skittish about hiring. A tax credit might incentivize employers to start employing. Maybe it might be the reverse for nonprofits: the availability of a credit for their grantees might stimulate foundations to up their grantmaking.

From this proposal nonprofits would not only get a useful subsidy, but they even get to take the credit quarterly, if they pay withholding on an estimated basis, easing ever-present cash flow problems that will only be tougher with increased personnel costs.

Reminder, 501(c)(3) nonprofits pay the employer's match of an employee's Social Security taxes, called FICA, just like for-profit employers do. Employers file Form 941 with the Internal Revenue Service quarterly identifying the number of workers they employ and their "taxable Social Security wages"—and their taxable Medicare wages too. The Form requires employers to send the IRS 6.2 percent of the employee's wages as the employee's contribution to Social Security and to match that with 6.2 percent contributed by the employer. That is a real cost to nonprofits that the proposed credit would help defray. Unlike other employers, 501(c)(3)s are exempt from withholding and paying federal unemployment taxes, the so-called FUTA contribution, but other 501(c)s are required to pay FUTA.]