

PA10-075

HB5435

Commerce	507-525, 537-542, 544-584, 595-675	147
House	3147-3248	102
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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
2010**

**VOL.53
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call. Members to the chamber. The House is voting
by roll call. Members to the chamber, please.

SPEAKER DONOVAN:

Have all members voted? Have all members
voted? Please check the roll call board to make
sure your vote has been properly cast. If all
members have voted, the machine will be locked and
the Clerk will take a tally.

Will the Clerk please announce the tally.

THE CLERK:

House Bill 5143, as amended by House "A."

Total Number Voting 145

Necessary for Passage 73

Those voting Yea 145

Those voting Nay 0

Those absent and not voting 6

SPEAKER DONOVAN:

The bill, as amended, is passed.

Will the Clerk please call Calendar Number 213.

THE CLERK:

On page 38, Calendar 213, Substitute for House
Bill Number 5435, AN ACT CONCERNING THE
RECOMMENDATIONS OF THE MAJORITY LEADERS' JOB GROWTH
ROUNDTABLE, favorable report on Finance, Revenue and

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Bonding.

SPEAKER DONOVAN:

I'd like to call the distinguished House chair of the Commerce Committee from Waterbury, Representative Berger. You have the floor, sir.

REP. BERGER (73rd):

Thank you, Mr. Speaker, and good afternoon.

SPEAKER DONOVAN:

Good afternoon, sir.

REP. BERGER (73rd):

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

SPEAKER DONOVAN:

Question's on acceptance of the joint committee's favorable report and passage of the bill?

Will you remark?

REP. BERGER (73rd):

Yes, Mr. Speaker.

Shortly, I am going to call a strike-all amendment, which will, in essence, then become the bill. But before I do that, Mr. Speaker, I'd just like to talk a little bit about the process that was involved in putting this extensive document

together.

When we call the strike-all amendment, there is going to be many components within that that are -- have been comprised of many commerce bills, many recommendations of the Program Review Committee, many recommendations, both from the Executive Branch, from our colleagues in the Republican Caucus, the Democratic Caucus, working together with staff, the roundtable which met over the course of six or seven months from the summer into the fall.

And so within that document, we're going to have all of the concerns, all of the issues, working together as a General Assembly, which will hopefully pass here in the House together, bipartisan, send it to the Senate and then receive the signature of the Governor of the State of Connecticut.

So within this document is going to be many, many things, working with many, many different commissioners, agencies in the State of Connecticut, DECD, CI and others, where we're going to change the way the State of Connecticut operates, as it operates and how it affects business, how it affects job development in the State of Connecticut, and how it affects the creation of jobs. Because one

thing -- or two things that are going to be very important when we look at these bills are that they create income and they create jobs. If we create income and we create jobs, we -- the State of Connecticut, becomes competitive in an international market. So we're not only talking about the State of Connecticut here and how we compete with other states within the United States. We're talking about the State of Connecticut being competitive in an international market.

Staff of -- the Speaker's staff, the Majority Leader's staff, Ranking members' staff, Republican Caucus staff, the Executive Branch, OPM, DECD, I really have to reach out to them and, Mr. Speaker, through you, to thank them for their tremendous work day and night over the course of probably six or seven months in the face of the largest economic crisis to not only hit the State of Connecticut from jobs in the economy but also the United States of America. So they have done right down the spectrum -- OLR, LCO, they've done a tremendous job for us in their diligence and commitment to working together to put together this negotiated bill which we're going to do. And also I need to represent --

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I also need to recognize Representative Perone, Representative Widlitz and, certainly, all members of the Commerce Committee.

So with that preamble, Mr. Speaker, the Clerk is in possession of LCO Amendment 4884. I ask that he call and I be allowed to summarize.

SPEAKER DONOVAN:

Will the Clerk please call LCO 4884, which will be designate House Amendment Schedule A.

THE CLERK:

LCO Number 4884, House "A" offered by Representatives Donovan, Cafero, et al.

SPEAKER DONOVAN:

The Representative seeks leave of the chamber to summarize the amendment. Is there objection to summarization? Hearing none, Representative Berger, you may proceed for summarization.

REP. BERGER (73rd):

Thank you, Mr. Speaker.

What we have before us in LCO 4884, as I stated previous, this is a strike-all amendment which will now become the bill.

Mr. Speaker, I'm going to outline some highlights -- highlighted sections of the bill in

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anticipation of the ranking member of Commerce, who is going to probably have a few questions on the body of the bill. So I'm going to proceed in highlighting -- highlighting the bill, and I believe I move for passage of that that I -- for adoption.

SPEAKER DONOVAN:

Correction's on adoption. Will you -- will you remark?

REP. BERGER (73rd):

Yes, thank you, Mr. Speaker.

Section 1 -- section 1 of the -- of the amendment provides student loan reimbursements and training grants for Connecticut residents with educational backgrounds and jobs related to green technology, life science and health information technology. To fund this, we are going to transfer 3 million from the Connecticut Health and Education Facilities Authority to the General Fund for student loan reimbursements and training grants.

Section 6 provides up to \$500,000 in loans and lines of credit for businesses and nonprofit organizations with fewer than 50 employ -- employees. Allows up --

Section 7 allows up to 15 million in -- in

already authorized MAA funds for Section 5's revolving loan program.

Section 8 authorizes a maximum \$200 insurance premium corporate business and personal income tax credit for small business under in 50 employees that create new jobs between January 1, 2010, and December 31, of 2012.

Section 11 authorizes sales tax exemptions which is an expansion of the existing sales exemption program for machines, equipment, tools, materials, supplies and fuel used directly in renewable energy and clean energy technology businesses, Mr. Speaker.

Section 12 authorizes CII, Connecticut Innovations, Inc., to provide up to 150,000 in pre seed financing and technical services and resources to business develop -- to businesses developing new concepts.

Section 13 authorizes 5 million in bonds to fund the pre seed financing authorization in this underlying amendment.

Section 14 establishes new insurance reinvestment -- a new reinsurance reinvestment tax credit program.

And we found, Mr. Speaker, that the other par -- the other program -- the insurance credit program was broken. We needed to fix it. We were not getting jobs. We were not getting benefits. We were wasting taxpayer funds with that particular program the way it was structured. And this chamber, along with those that drafted the legi -- legislation, took it upon themselves to do something about that, Mr. Speaker, to change that, to make it more efficient and effective system, and we have done that with this section.

This section will be one of the most important sections that we see and the state will reap profit funds. We estimate that with the incorporation of this section, we will have the ability to increase the job rolls by over 5,000 jobs in the state of Connecticut with a \$200 million private investment. And this is the perfect public-private partnership that we can have for a job creation and income tax gains, sales tax gains, personal income tax gains and fuel tax gains.

It's important and we've taken upon ourselves to address it. And this chamber along with the Senate has addressed it, Mr. Speaker.

Section 16 authorizes 25 percent personal income tax credits for up to \$100,000 in angel investments. Another important market that has been quiet for the State of Connecticut that now, with the enactment of this underlying amendment, we will set an example and be competitive with other states in the angel investment tax credit field. This will directly result in eligible businesses being able to start, expand and employ in the state of Connecticut.

It's an area that we have not had a market. And when we talked about this several years ago, people didn't understand it. They laughed at it. They said it can't work. But when we enact -- when we enact this amendment, it's going to work. It's going to bring those jobs. It's going to bring that income and be highly successful.

Section 19 will establish a 21-member Connecticut Competitive Council to develop cluster-based strategies and policies. This is going to be comprised of experts in the field, both private, government, public, utilizing our agencies, DECD, CI, CDA, and giving direction and guidance to this legislature. That 21-member council and the

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expertise and knowledge which it will bring will make and continue to make Connecticut competitive, not only in the United States, as I said in my opening comments, but internationally.

Within the context of the amendment, we're going to look and expand our export abilities. The State of Connecticut leads in the area of exports. We need to be able to link up what we do here in Connecticut and what the federal government will allow us to do and expand. This underlying amendment will achieve that goal, Mr. Speaker.

That is a brief summary of some of the highlighted sections that are going to be a direct impact and success in creating the jobs listed forward, and I move for the passage.

SPEAKER DONOVAN:

Thank you, Representative.

Would you care to remark further on the amendment? Care to remark further?

Representative Alberts.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. If I may, some questions to the proponent of the amendment.

SPEAKER DONOVAN:

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Please proceed, sir.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. And, first, I would like to comment that this bill as the chairman of the Commerce Committee has alluded is -- is truly a credit to many people's efforts over the past half year, I believe. And -- and I think this is -- we've got an excellent bill here, but I do believe we need to get some of the questions answered.

Looking at lines 23 to 34, which allude to the -- how we're going to look at Connecticut residents who graduate from college and then participate in one of the programs that we have here. On line 26, we talk about graduates who are employed in the state. And, through you, Mr. Speaker, could these graduates work for a firm based outside the state, but with Connecticut operations?

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, yes.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And looking at the dollar amount that is contemplated of \$2,500 per year or 5 percent of the amount of -- of such loans, whichever is less, for up to four years, and this references lines 32 to 34. My math indicates that would be \$10,000 at the most. Am I correct to presume that if a student were to have an extra year of education, as many students do, and it goes from four years to five years that that -- that that full amount would not apply to five years? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Continuing on in line 51, we contemplate a \$250 amount of assistance for Connecticut residents who receive a certificate related to green technology. And the verbiage is maximum of \$250, but am I not correct in stating that that is also the minimum that the dollar amount is \$250? It's a

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one-size-fits-all amendment -- dollar amount,
rather. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger,

REP. BERGER (73rd):

Yes, through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In looking at line 55, we look at the
qualifications that these residents have to have,
and we mention here that they must graduate from
high school before July 1, 2008, among other
requirements. When we reference "graduate from high
school," there's no intent here to dissuade someone
who has earned a GED. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

That is correct, through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. And to establish legislative intent in line 53 and 54, we discuss gross annual family income that should not exceed or does not exceed \$40,000. When we look at that term "gross annual family income" are we looking at adults under one roof with children of 18 and older, or could there be a few more specifics provided? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Mr. Speaker. Gross annual family income and, through you, Mr. Speaker, in answer to the -- to the -- to the examples that the good Representative said, those are all correct. And certainly, if we look at gross annual family income, we can also look at the federal and state tax liability that would be located within that household that would affect the gross family income under that specific household. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

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Thank you, Mr. Speaker.

In lines 61 and 62, we reference a 500 -- \$5,000 per recipient of an associate's degree and \$10,000 per recipient of a bachelor's degree as potential maximum amounts for loan reimbursements. Is it conceivable that someone can earn both degrees and qualify for up to \$15,000? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, I don't believe that the good Representative's question is contemplated as a -- as a reimbursement within the current language.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

So if I'm to understand this correctly, then the maximum that could be received would be \$10,000 referenced in line 62? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

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REP. BERGER (73rd):

Through you, Mr. Speaker, yes.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 100 through 106 that paragraph that references "leveraging state funding." Is it fair to say that the goal here in this paragraph is to ensure that we receive all the federal dollars that we may be entitled to in order to maximize the funds coming into the state of Connecticut? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In Section 5, as I understand, it is simply the funding mechanism for Section 4. Through you, Mr. Speaker.

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SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, yes.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

One of the disappointing pieces of this legislation, unfortunately, is the part of the bond element here requires the funds to be paid back. I guess for the bond investors they're pleased -- they would be expecting that. Am I to understand, in lines 124 to 126, that for this -- in this particular section that the bonds may carry maturities of as long as 20 years, and that wherever this reference appears that that is indeed how long we may be on the hook for liability? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, thank you.

Through you, Mr. Speaker, that is correct, but

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the language of the 20-year bond is -- is -- is
standard for that market. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 141 to 143, we discussed the
qualifications of qualified businesses and -- and,
perhaps, we need to flesh this out a little bit
more. Line 142 references Connecticut business.
Must this business that we're looking at here be
based in the state or is it permissible if the
business is just operating within the state?
Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, it's anticipated
through the language here that the co -- that the
business be a Connecticut business housed as a
principle business in the state of Connecticut.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Through you, Mr. Speaker, but there -- would there be any limitation -- could this business also operate in other states, perhaps, many of the businesses that operate in Connecticut might have an operation -- a field operation in other states of the country? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, they -- they could operate in other -- other states inclusive of operating in the state of Connecticut.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And this -- we have expanded the qualified business language here to include "not for profit organizations," so the -- in lines 142 to 143, we reference "for profit or not for profit organizations employing less than 50 employees." There are many large organizations, and, for example, I'm thinking of the American Red Cross, which have very large national bases of employment

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that might have much smaller employment levels within the state. Would it be contemplated that an organization, like the American Red Cross, which might have several thousand employees might be able to be one of these qualified businesses if they have less than 50 employees in the state? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, yes.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Lines 144 to 148 reference the commissioner of Economic and Community Development's establishment of the Connecticut Credit Consortium and a revolving loan program. Could the proponent just briefly describe what a revolving loan program is?

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes. And that was lines?

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REP. ALBERTS (50th):

146 through 148.

REP. BERGER (73rd):

Yes. Through you, Mr. Speaker, the revolving loan program is going to be, again, for small businesses of 50 employees or less. And by the "revolving loan" is that any repayment of the loan or interest goes back into the fund so it will be self-sustaining. So with an investment, through you, Mr. Speaker, of \$15 million in bonding and loans up to \$500,000, it is -- it is anticipated through time that with repayment of loan and interest that we will refuel and resupply that fund in a continuing basis. Through you.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 152 to 153, as I read these lines, I understand that any business shall not exceed \$500,000 of borrowings at any one particular time, but a company could have the borrowings, repay it and then be eligible for funds so long as they don't have more than \$500,000 out at any one time, is that

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not correct through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 161 through 169, there's reference to the balances remaining in the account, and I believe this is what the proponent was discussing. These funds would essentially be carried forward in the fund from year to year, and there is no intent here for these funds to be used for any other purpose to cover, perhaps, a -- if we were to have a budget deficit, for example. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

The intent of this section does not have that intention. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

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REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And proceeding to Section 7, line 192 -- actually, lines 176 on, but focusing on 192, we have the phrase "designated areas of the state for construction, renovation or improvement of small manufacturing facilities." What would be those designated areas of the state that we're focusing here or are referenced? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes. Through you, Mr. Speaker, the lines 176 that the -- that the Representative alludes to are existing language that is incorporated within requirements of DECD and the commissioner of DECD, and they follow a certain -- a certain protocol and process and procedure that is in place and codified in law. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And I see that reference to existing language.

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I -- I apologize for that.

In Section 8, in line 229, we refer to "50 employees," and, again, this is a reference to qualified small business, but I'm trying to clarify these 50 employees. Is that total number of full-time and part-time employees or could -- would that be considered to be 50 full-time equivalents? There are many situations, for example, where a company might have 25 full-time employees and they might have 40 part-time employees. So they have more than 50 employees, but on an FTE basis, they might fall under that 50 count. So are we, again, referring to a hard count of 50 people or 50 FTE? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, thank you, Mr. Speaker.

And in -- for the Representative, in line 237, we designate in that language a definition of a full-time employee. So I think that it would be codified in law that the full -- a full-time job is in subsection 5, in line 237, would clearly explain that. Through you, Mr. Speaker.

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SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

So then when we say "50 employees," those would be 50 full-time employees? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

That is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Continuing on, in lines -- in line 266, we refer to "a new employee who resides in the state." Could that new employee that's referenced there had been a previous employee of a firm? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through -- I'm sorry. Through you, Mr.

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Speaker, these are for new hires. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

So if someone had worked for a company at one time in the past but had somehow severed their relationship, whether it was voluntary or involuntary, and then went back to the same firm, would they be eligible for this tax credit? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes. Through you, Mr. Speaker, line 234 in referencing back on the previous page would explain "new employee" does not include a person who is employed in Connecticut by related per -- person through lines 234, 235 and 236.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

I believe the -- the, if continuing there, reference says "prior 12 months." So then anything longer than a 12-month break would be contemplated to be a new employee then? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

That is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

I just want to thank the proponent, in particular, for the work that was done to accept a change in the draft in the language in terms of the tax credit on a monthly basis, and lines 270 and 271 reference that that we are looking at a \$200 per month tax credit for each new employee hired.

And just to clarify this section a little bit further, my understanding, for example, if someone is hire today, May 1st, but they actually start employment on June 1st, that that tax credit would be for the actual time that they started. So if,

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again, hired on May 1st, start on June 1st, the tax credit would be for the months of June on, per month; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes. Through you, Mr. Speaker, that would be the prorated status and that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. I'm -- I'm seeing a lot of companies in my district, small entrepreneurial companies that are awarding very modest shares of stock to some of their employees. And, in particular, they're doing it to recognize new employees, encouraging them to join our -- companies. In lines 276 to 278, we reference that no qualified small businesses may claim tax credits for owners, members or partners in the business, is there -- do I -- am I to understand then that individuals who would fall under that category, who might get a very small ownership interest would be

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excluded from being eligible for this tax credit?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that's correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 306 to 309, there's reference to no qualified small businesses claiming the tax credit may claim any credit against any tax for any other provision of the general statute. So, as I read that, I'm to understand that there would just be one tax credit. There would not be duplicative tax credits; is that understanding correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

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REP. ALBERTS (50th):

Continuing on the same page, lines 317 to 323, it references, "no credit allowed under this section shall exceed the amount of tax imposed by said chapter of the General Statutes." So am I to understand then that the tax credit can't be greater than the dollar amount that you owe. You only get that amount as a maximum; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And it looks like in lines 372 to 389, all that language mirrors word for word the -- and the intent, if I'm to understand with the vocational rehabilitation job creation tax credit so all of the previous responses in terms of -- of what the limitations are, the \$200 per month for each new employee hired and all those qualifications, those

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are all applicable here as well, are they not?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Looking at lines 434 to 442, in Section 11, we're discussing here--the sales and use of storage of -- of consumption of machinery, equipment, tools, material, supplies, a lot of different items that are related to renewable energy and clean energy technology industries. And there's further language here in terms of renewable energy and clean energy technology industries. Are all of the industries that are potential recipients listed here or might there be industries that might be contemplated under renewable energy sources not listed? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

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REP. BERGER (73rd):

Yes, through you, Mr. Speaker. Certainly, there -- the -- the -- the general universe, so to speak, is renewable energy and clean technology industry, which, through you, Mr. Speaker, is an evolving -- which are evolving industries that could be contemplated to be added to this list. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

There is one energy source -- renewable energy source I didn't see listed here. And, then, for purpose of legislative intent, would hydro power be considered to be a renewable energy source that might be contemplated? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, yes.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

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Thank you, Mr. Speaker.

In Section 12, we look at the pre seed financing account, which the proponent has discussed earlier. And as I -- I'm to understand that, again, would be a separate none lapsing account so any of the funds there would be carried from year to year? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct. And it is incorporated through Connecticut Innovations.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

I think the proponent anticipated my response or my next question. Connecticut Innovations is the only entity that would be managing those funds directly; is that correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

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That is correct, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And there's some language in lines 458 to 460 that discuss the private investment dollars of financial assistance, and I just want to make sure I understood this and the chamber understood this that for every 50 cents of every dollar of financial assistance sought the match could be \$2. So, for example, if I were to go to Connecticut Innovations with \$1; they could potentially match that \$1 with \$2; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Mr. Speaker, that is correct. And the thought pattern here was have the private companies, equity companies, have money in the game, so to speak. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

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Thank you, Mr. Speaker.

Continuing on in the section, lines 462 to 464, there's contemplation of utilizing a nonprofit corporation providing services and resources to entrepreneurs. So am I to understand that Connecticut Innovations may reach out to an organization potentially that might have some specialty in this that might be able to do it, perhaps, more effectively or may be able to do it in a more efficient manner? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct. And examples could be CCAT and CERC, which are presently active and add that expertise. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In chapter -- or -- I'm sorry. Section 14 that begins 499, would it be fair to say that we're addressing these tax credit issues because we have

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determined that these tax credits over the course of many years have not been the most efficient use of our tax dollars? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, absolutely.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In line 752 through 757, it's contemplated that we would take some of the tax credit dollars that have not been expended and, I believe, invest them in green technology business, and the definition here under green technology is listed in lines 752 to 753 as an eligible business with not less than 25 percent of its employment positions, and then it goes on to say, "being positions of which green technology is employed." Is there a size limit for these businesses or is the language, in line 739 to 742, the appropriate references in terms of the eligible businesses for this category. I was having a hard time following that. Through you, Mr.

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Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Mr. Speaker, yes. In lines 739 and 742, there is the definition which is existing language of what eligible business would be and -- and the means of that business is a principle business operating in Connecticut, that and referencing then, again, line 70 -- 752 through 757, green technology business, then, would be an expansion of a definition of an eligible business and delineated in that subsection D. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 764 to 766, it looks like we're tightening the standards for the -- the deployment of funds that -- that are still remaining dedicated for the insurance reinvestment fund; is that not correct? Through you, Mr. Speaker.

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Representative Berger.

REP. BERGER (73rd):

Yes, through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

One of the challenges we've had in the Commerce Committee is looking to -- to see how we can get as much information collected as possible and still maintain some semblance of confidentiality.

In line 782 to 784, the -- it's cited here that the principle business operation means at least 80 percent of the business organization's employees reside in the state or 80 percent of the business payroll is paid to individuals living in the state. How do we guard ag -- to ensure that that information -- or, well, let me just back up. Would that information be FOIable in terms of the business payroll specifics? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Mr. Speaker. There is

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information that's proprietary in nature that would not be subject to FOI. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And to ensure that I understand the -- and the chamber understands what's very dry information in terms of how this investment tax credit works, in line 785 to 797, as I understand it, the first to third tax years, essentially, there is a zero percent tax credit that's provided; then, in Years 4 to 7, there's a 10 percent tax credit provided for each of those years; and then in lines -- and, then, in Years 8 through 10, that goes up to 20 percent per year which adds up to 100 percent of the tax credit; is that not correct? Through you, Mr.

Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

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REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 812 through 814, it's contemplated that one of the items that insurance investment fund is going to submit as part of its package -- again these are revised criteria -- is the number of jobs that will be created or attained as a result of the applicant investments once all eligible capital has been invested. My understanding is that this is an estimate of jobs. This isn't a hard figure, but I may be wrong. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

That is correct. The jobs, through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

One of the other requirements listed in lines 818 through 820, is a revenue impact assessment demonstrating that the applicant's business plan has a revenue neutral or positive impact on the state.

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And I couldn't find reference to what "revenue neutral" or "positive impact on the state" is. I'm thinking it might be opened to interpretation. Could the proponent please clar -- clarify that? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, thank you, Mr. Speaker.

First of all, it's certainly based on the tax credits for which they apply for which that businesses apply. And the thought pattern here is, through you, Mr. Speaker, that that the investment be revenue neutral to the State of Connecticut on both their private and public side. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Through you, Mr. Speaker, in looking at lines or sections -- subsection f and g, which are lines 820 and then continues through 827. The materials that would be submitted appear to include a commitment to invest at least 25 percent of its

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eligible capital in green technology businesses and a commitment to invest by the third anniversary of its allocation date, 3 percent of its eligible capital and pre seed investment. So, my understanding is that both of those requirements have to be met; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, that is correct. Both need -- both will be required to be met.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 828 to 832, "first come, first serve" literally means what it says that basically if you get your application in the hopper first, you will be the first to receive the money, the first to be awarded those funds; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

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REP. BERGER (73rd):

Yes, through you, Mr. Speaker, that is correct. But also to elaborate somewhat, in the previous program there was not a cap. There is a \$200 million cap which will be in some future sections, through you.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And that -- once that \$200 million limit is reached, that's it. There's no more funds available; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, it's -- it is anticipated the 200 million over a 10-year period. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And continuing on from lines 848 to 869, as I read this, there's some discussion here about an insurance reinvestment fund may apply to the commissioner to amend its business plan if there'd been some, perhaps, unanticipated changes to the economy, technological advances. So there's some built-in flexibility here that might not have been anticipated when the business plan was originally created; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

That is correct, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 866 and 867, it -- there's discussion where the funds, the insurance reinvestment funds, shall invest their eligible capital. And it does mention bank deposits, certificates of deposit or other fixed income securities. Is there any requirement that those bank deposits, certificates

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of deposits be maintained in the state or could they be anywhere where the insurance fund manager wants to put those? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, there is not a requirement they be in -- just in the state.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 884 to 885, for purpose of legislative intent, it's contemplated each insurance reinvestment fund shall be -- shall provide to the commissioner annual audited financial statements.

Generally, when I think of them as a banker, I think of them as being CPA prepared. And just for clarification, is the proponent's belief that the audited financial statements would have to be prepared by a CPA? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

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That is correct, through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 903 and 907, there's discussion about reasonable costs and to further explain it, it mentions "payments related to the reasonable costs and expenses of forming, syndicating, managing, operating the fund," and then following that "reasonable and necessary fees paid for professional services." Who makes those determination or that that determination as to what is reasonable? Would that authority rest with the DECD commissioner?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And am I to understand in lines 910 through 911

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that the only fee that would be a direct compensation to the manager is an annual management fee, in lines 910 through 911, in an amount that does not exceed 2 and a half percent of the eligible capital of the insurance reinvestment fund? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

That is correct, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Lines 921 through 924 discuss the commissioner, which I presume to be the DECD commissioner, is going to review each of the annual reports submitted. And there is contemplation here of a material variation of various subdivisions may be potentially grounds for decertification of the insurance reinvestment fund. Am I to understand that the determination of whether something is material or not would -- that would rest with the DECD commissioner? Through you, Mr. Speaker.

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SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, it would be under commissioner review; that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Lines 952 through 954 make reference to a date on or after May 1, 2010, no eligibility certificate shall be provided. I believe in previous conversations that if this amendment were to pass, there is a subsequent amendment that would address some of the dates in the language of this amendment, including this particular section; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Mr. Speaker, in anticipation of House Amendment "B."

SPEAKER DONOVAN:

Representative Alberts.

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REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Lines 958 through 968, discusses fund managers who've received an eligibility certificate but is not yet eligible to receive the certificate of continued eligibility. Am I to understand that, essentially, this language here is designed to protect fund manager's interests for work that may be potentially in progress right now in terms of submissions; is that correct? Through you, Mr. Speaker.

SPEAKER DONOVAN: ...

Representative Berger.

REP. BERGER (73rd):

That is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 969 to 971, there's discussion of a \$200 million aggregate commitment and \$40 million per year. Am I to understand if that \$20 million is provided in one year that that difference cannot be made up via say \$60 million the next year that that

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\$40 million is a hard limit per year, and that once that limit is -- once that year has gone by that that dollar amount can't be recouped in another year? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct, to the aggregate of 200 million.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

I guess, in general, looking at Section 14, for purposes of legislative intent, if companies have been approved and certified between January 1st of 2010, and July 1st of 2010, will they be regulated under current law before passage of this bill, with the exception that proof of a minimum \$1 million investment must be provided for each company prior to July 1, 2011? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

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That is correct, through you.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Section 15 contemplates angel investors. We didn't really discuss this much, but we truly aren't investing in angels, are we? Mr. Speaker.

SPEAKER DONOVAN:

From the gentleman from the town where the Seven Angels theater is, Representative Berger.

REP. BERGER (73rd):

Yes.- Thank you for the plug, Mr. Speaker.

SPEAKER DONOVAN:

Any time, sir.

REP. BERGER (73rd):

Not to -- not to digress. But, yes, the angel investor is duly noted and explained within the context of the amendment.

SPEAKER DONOVAN:

Thank you, Mr. Speaker.

So people watching may understand that these are individuals that might have a minority ownership interest in a particular company. As it's depicted

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here, it would be an interest of less than 50 percent. They don't have a controlling interest; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Yes. Through you, Mr. Speaker, it's the -- it's the intent to have a percentage interest and not a controlling interest. Through you.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 1068 through 1077, there's discussion about how the credit will be calculated. In line 1072, the credit shall be an amount equal to 25 percent of such investor's cash investment provided the total tax credits allowed to any angel investor shall not exceed \$250,000. And there's additional language here of a cash investment of \$100,000 minimum. So looking at this, if my understanding of math is correct, if an individual is an angel investor, makes a cash investment of \$100,000, their minimum, that tax credit would be a minimum of

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\$25,000; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And then the maximum total tax credit would be -- could be \$250,000 or would be \$250,000 if the cash investment didn't exceed \$1 million; is that correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

We have many tax credits in the state of Connecticut that are transferable for a number of

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reasons from one person to another, but these angel tax credits are not designed to be transferable; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

That is correct. They are not transferable.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 1078 to 1088, there's several different parameters that are listed for tax credits pursuant to this section, including annual gross revenues of less than \$1 million in the most recent income year, fewer than 25 employees, not less than 75 percent of whom reside in the state, has been operating in the state for less than seven consecutive years, and it goes on to continue to reference -- is primarily owned by the management of the business and their families. If a firm grows outside of these parameters then -- any one of these parameters, would they then be disqualified from this tax credit? Through you, Mr. Speaker.

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SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, I believe that it would be going forward in the analysis of the credit. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In lines 1094 through 1097, it's contemplated how a Connecticut business could apply to Connecticut Innovations, Inc., and it does require if this amendment were to become law, a business plan, including a description of how of the business and the management product market and financial plan of the business, and it continues on with the description of the business's innovative and proprietary technology, product or service. Am I to understand, through you, Mr. Speaker, that all of this information would be guarded information and would not be released to the general public?

SPEAKER DONOVAN:

Representative Berger.

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REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And, again, in lines 1119 through 1127, the amount of the tax credit allowed to any investor would be stipulated so that the tax credit could not exceed the amount of taxes that are due? Through you, Mr. Speaker.

REP. BERGER (73rd):

That is correct, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

Representative Alberts.

REP. ALBERTS (50th):

In lines 1136 through 1140, seem to be requiring a review of the effectiveness of this credit to be conducted by Connecticut Innovations, Inc., and then submitted to the Commerce Committee; is that not correct? Through you, Mr. Speaker.

REP. BERGER (73rd):

That is correct, Mr. Speaker.

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SPEAKER DONOVAN:

Representative Berger.

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Line 1169 mentions the taskforce that is contemplated to -- in a new section, Section 16, to reduce or eliminate duplicative procedures and the amount of paper used. Is there any funds that are provided to the staff for this in term of expense reimbursement or -- it does mention line 1169, "shall serve without compensation." Am I to understand that that includes no mileage reimbursement? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

That is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Lines 1268 through 1273, reference the reallocation of funding from other agency accounts

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or programs to develop a marketing campaign that promotes Connecticut as a place of innovation, and, yet, there's no dollars that are mentioned here. Is there any language in this bill that cites a requirement for the dollar amount of what a marketing campaign that -- that might be required to basically fulfill this requirement? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Mr. Speaker, there isn't a specific dollar amount. That will be developed through the commissioners of cognizance and relocating the funds to administer that marketing.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And continuing on on lines 1336, 1337, 1340, 1347, 1350, all of these changes in language all seem to be designed to expand the DECD commissioner's duties regarding -- ensuring that there's technical assistance for exporting,

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manufacturing and cluster-based initiatives, the expansion of the role of the commissioner to support these initiatives; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

That is correct, through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In Section 1-9, lines 1460 to 1462, there's reference of the Connecticut Competitiveness Council, which was previously cited by the proponent. Is this essentially -- is this organization, essentially, the same as its predecessor organization except for name or are there additional responsibilities that are contemplated here? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Mr. Speaker. This is

actually a little bit more of a comprehensive council with expertise in various fields to -- to formulate strategy and policy both in the private and public sector. So it's anticipated that this council will be -- will be of -- a little bit -- a little bit better organized, a little bit more represented by various elements than the previous competitive council. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Skipping to Section 27, lines 1933 to 1937, is it fair to say that this section, in this particular area, is to end a credit that presently exists for financial institutions after December 31 of 2013?

Through you, Mr. Speaker.

REP. BERGER (73rd):

That is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In Section 28, which is lines 1967 through

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1977, am I to understand that this is, again, the culmination or the -- the finish end here for an SBA guarantee credit for fees that have been paid that an applicant might pay for an SBA guaranteed loan and that's contemplated to come to a sunset after December 31, 2014. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes, through you, Mr. Speaker. I believe it will be 2013, December 31, 2013.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. I'll stand corrected.

And Section 30, the dollar amount is cited that the State Bond Commission may raise \$500,000 of funding but these funds are to fund the activities in Section 29 in terms of the DECD pilot program for helping the eligible manufacturing companies to convert into green manufacturing facilities or implement these efficiencies measures; is that not correct? Through you, Mr. Speaker.

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Representative Berger.

REP. BERGER (73rd):

That is correct.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Continuing on to lines 2323 and 2327, again, there is inclusion here of a summary of activity of the programs that are going to be required for the Connecticut Credit Consortium. So we are going to require that the Connecticut Credit Consortium, again, in these lines 2323 through 2327, provide us with a summary of the activity of their program to include the numbers of loans, lines of credit approved, the size of the businesses, all as part of an effort to get some feedback so we can make some adjustments, if necessary, in the program; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

That is correct, through you, Mr. Speaker.

SPEAKER DONOVAN:

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Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

And in Section 32, the final section of this bill -- or final section of this amendment, lines 2331 through 2338. As part of this amendment, if it becomes law, we would require that the Office of Fiscal Analysis evaluate a potential future -- obligation but, for present, it would evaluate what resources would be needed to include information in fiscal notes as to the impact on public and private sector jobs by legislation that we're contemplating here in the chamber; is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

That is correct. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. It's hard to believe we've gone through about 75 pages in such a short period of time.

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I do wish to thank the proponent of the amendment.

I think that this amendment that's before us accomplishes many good things for the people of the state of Connecticut, and I do believe that it truly is now a bipartisan work. And this will be a very efficient use of precious tax credits.

Thank you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Thank you, sir.

Remark further on House Amendment Schedule "A"?

The gentleman from Wolcott, Representative Mazurek.

REP. MAZUREK (80th):

Thank you, Mr. Speaker.

Mr. Speaker, I'd like to thank our Speaker of the House of Representatives, Speaker Donovan. Not -- not you, sir. I'm sorry, the assistant speaker. I'd also like to thank Majority Leader Merrill and Ranking Member Cafero for giving the Commerce Committee their mission to come up with a Jobs Bill that was bipartisan that, in effect, took into account the dire situation that we're in in the state of Connecticut.

Mr. Speaker, this bill is the most comprehensive jobs bill that has ever -- that I'm aware of -- that has ever been introduced in the General Assembly. And I think that we need to thank Ranking Member Alberts and we need to thank the chairman of Commerce, Representative Berger, for the work that they did in trying to put together a bipartisan bill that, in effect, addresses the many, many facets of manufacturing, business and industry that we have in the state of Connecticut. And I think the citizens of Connecticut now understand when they see a 1700-line bill that comes out, they understand how difficult it is to reach consensus on a bipartisan effort.

And, Chairman Berger, I think you've done a wonderful job in putting the pieces of this puzzle together.

I thought I did thank Majority Leader Merrill.
Okay.

I'm reading notes as we're going along here,
Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Oh, don't admit that.

REP. MAZUREK (80th):

And Chairman LeBeau, let's not forget the Senate Chairman LeBeau. And Representative Noujaim for the small part that you played in this. I'd also like to point -- like to point that out.

Mr. Chairman, if I might just for the purposes of legislative intent concerning Section 14, I know Representative Alberts asked you a series of questions concerning the insurance reinvestment portion of that. And I just want to piggyback on a -- on a couple of the questions that he asked.

And one of them has to do -- as you know, paperwork for the Insurance Reinvestment Act needs -- a plan needs to be approved by DECD, then it needs to go on to the Secretary of State's Office and have some paperwork filed, and then it needs to go back to DECD before the final certification is issued. And I know we're shortly going to change the date from May 2010 to July 1, 2010. I just want to make sure that if any investors have all of their paperwork in front of DECD and through no fault of DECD's, they can't, in fact, handle all of this paperwork or issue certificates that they would still be eligible under the plan under which they've applied. Through you, Mr. Speaker.

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REP. BERGER (73rd):

Yes. Through you, Mr. Speaker, the answer to that question is yes, and that companies that have been approved and certified between January 1, 2010, and July 1, 2010, will be regulated under current law before passage of this bill, with the exception that proof of minimum \$1 million investment must be provided for each company prior to July 1, 2011.

Through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Representative Mazurek.

REP. MAZUREK (80th):

Thank you, Mr. Speaker.

And I thank the Chairman of Commerce for that answer.

Just one more question, sir, through you, Mr. Speaker, to the Chairman, again, for the purposes of legislative intent. For companies that are currently in possession of tax credits but haven't used them, will they be subject to the law as it exists prior to the passage of this bill?

DEPUTY SPEAKER GODFREY:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker, that is correct, yes.

DEPUTY SPEAKER GODFREY:

Representative Mazurek.

REP. MAZUREK (80th):

Thank you, Mr. Speaker.

I won't belabor this. I just want to thank every one who was involved in this bill. Again, this is the most comprehensive jobs bill that we've ever done in the State of Connecticut. I know that the people are clamoring to see the legislature do something concerning the unemployment situation and growth of business in Connecticut, and I think this bill goes a long ways towards achieving that goal.

Thank you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Thank you, sir.

The gentleman from Norwalk, Representative Perone.

REP. PERONE (137th):

Thank you very much, Mr. Speaker.

I'd just like to also echo some -- some of the thank yous that have been -- that have been expressed here.

First of all, I'd like to thank Majority Leader

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Denise Merrill for just really championing this -- this from the get-go from last summer -- pulling together the -- everybody who had a stake in this from academics to economists, venture capitalists, and on and on, and just staying on this and pushing this initiative forward. I'd also like to thank the Speaker of the House, Speaker Donovan, for -- for pushing this along, as well, and just keeping this at the forefront.

Naturally, as a speaking member of the Commerce Committee, I liked to also thank Representative Berger for all his leadership on this. On -- on several of these concepts over the years, he's been a champion and -- and to pull all of this together was a huge task, and I just wanted to express my thank yous, as well -- as well and -- and to his co-chair Senator LeBeau.

There are also a couple of unsung heroes, my own aide, Alex Tarkoff, who was a great sounding board for a lot of this.

And -- but I just want to briefly just touch on a couple of points that I think are -- are important. And I think that while -- while you all know what the does I'd like to just speak briefly

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about what I -- what I think it means. And some people have pointed out, and I think rightly so because I've researched this, that it's probably the most important jobs creation bill or economic bill I've seen in about 15 years. And -- and I agree that while it's an important bill, I think it also marks a clear policy change in how we approach the legislature's responsibility that the strength and vitality of our state's economy. I think, you know, we've really put together a comprehensive approach and really set the building blocks in place that are going to -- move us in -- in the right direction.

In 2008, over the course of 30 days, about 45 percent of the world's wealth evaporated. And without getting too deep into the weeds, the net result has essentially left us with a net loss of 100,000 jobs in the state of Connecticut. Roughly half of our state's economic growth comes from the health of our national economy and, after that, you know, we're on our own.

-- excuse me.

Connecticut really needs to think stra -- strategically about the best ways to compete for high quality jobs and more of them and to -- and to

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understand the economic factors that will allow us to continue to create them in the future.

The majority leaders -- the Majority Leader of the General Assembly put together this plan to -- to analyze the economic conditions and -- and create an approach we think is going to be significant. We -- we reached out to a cross-section of legislators, academics, like I said, and really the aim of this group is -- was to analyze our State's economy, see what's working, look for best practices, common experiences and really understand the impact that our -- that our legislative policies are making on -- on the business community and the overall economic climate. There was no real -- didn't have -- we didn't have a, say, a litmus test for -- for concepts. We basically flipped over every rock. However, there was one -- one significant rock that we flipped over and there were a lot of ideas in there. And that was the PRI Committee Program Review Committee. And I'd just like to thank Mary Mushinsky and all the work that she's done with her committee and her Senate co-chair, Senator Kissel, for the work they've done on that as well.

A lot of the ideas that were discussed over --

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over time -- really the consensus of the group was, you know, after we discussed many of these things, really -- many -- the consensus -- in short, the consensus that we had was without a jobs bill, without a bill that incorporated all of the things that we're discussing here today, really, the -- the -- it wouldn't -- our growth -- our -- the ability to grow to -- to, you know, rebuild our state's economy going into the future wouldn't happen.

In short, without a broad base economy dedicated to job creation and the growth of our state, we would be -- we'd continue to be a -- wonderful state but we'd be at a profound disadvantage. Other states who are now taking steps similar to ours will -- will be stronger coming out of this recession, and they'll be able to provide the economic climate necessary to pull companies away from Connecticut and to keep their own from looking to move out.

However, that's only, frankly, half the story. Connecticut is also in the people business, care for seniors, closing the achievement gap and programs designed to improve housing must be paid and supported if we're all going to prosper in our

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state. And -- and, in short, this is really what is going to unite this -- state. But, at the end of the day, we're -- we're in a -- a -- just as -- as Representative Mazurek pointed out, we're competing with 49 other states. We're competing internationally and to take the steps that the -- the Legislature is taking today is going to be critical to our survival.

So, again, I don't want to belabor this. I -- I just want to thank everybody who's played such an important role in this and with everybody's support we'll be a much better state for it. Thank you.

DEPUTY SPEAKER GODFREY:

Thank you, sir.

The gentleman from Thomaston, Representative Piscopo.

REP. PISCOPO (76th):

Thank you, Mr. Speaker.

Mr. Speaker, I like a lot of this bill. You know, I -- I agree with an awful lot of what's in here on the different provisions and the reasons why we have this bill in front of us, of course.

The couple things that are kind of disturbed or leave me a little uneasy about the bill is the --

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the amount of jobs, state jobs, that are created in this. I know -- just a quick scan of this amendment -- I'm seeing in Sections 1 through 3, \$35,000 to the Department of Higher Education to develop a program on -- on that green jobs section. In Section 4, \$500,000 to our community colleges to develop a program to carry out -- to carry out another aspect of this bill. Section 6 and 7, \$252,000, the Department of Economic and Community Development want to hire three agents at \$65,000 a piece and one examiner at \$56,000 a year. That -- and with the fringes, that's \$67,000 in '11 and \$172,000 fringe benefits in '012.

In Section 8, \$246,000 to the Department of Economic and Community Development for two agents -- two more agents-- and then two more account examiners in sec -- to carry out the provisions of Section 8 in this bill with fringes of -- let me see here -- fringes of -- \$65,000 in '11 and \$168,000 in '12. And in Section 17, \$114,000, again, the Department of Economic and Community Development to create -- to carry out the export program and 110 in -- that's in FY11, and 110,000 in FY12. So with our effort and our zeal to create -- to come up with

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jobs legislation it looks like we're putting a lot of -- we're expanding state government with hiring some -- I don't know, do I have to count these? Let me see some -- I don't know -- at least eight new employees at a probably average salary of \$65,000 a year. We're spending -- some quick math, Mr. Speaker -- I don't know -- 1.5 million it looks like in appropriations. And, in carrying out this bill, it looks like we're bonding some -- 7 -- we're bonding some \$8 million, and it looks like we may be sweeping some agencies: 3 million out of CHFA and 5.9 million out of the manufa -- Manufacturing Assistance Act; and there's another manufacturers' act that we're sweeping that helps our manufacturers out.

So I'm a little uneasy with some of the provisions in this bill but, again, I applaud the amount of work that went into this bill. Maybe if I put this -- maybe if I put my commentary as a question through the proponent, he could put my mind at ease about the amount of appropriations and new state employee jobs that are being handled, through you, Mr. Speaker, to the proponent of the amendment.

DEPUTY SPEAKER GODFREY:

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Please proceed.

REP. PISCOPO (76th):

I -- I just wanted to ask him on my commentary on the amount of appropriations, the new -- all those new state hires. Could he put my mind at ease about that -- that outlay of appropriations?

Through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Representative Berger, can you put Representative Piscopo's mind at ease?

REP. BERGER (73rd):

Yes, through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Excellent. Thank you, sir.

REP. BERGER (73rd):

It's an unusual request for me. I don't usually get that request.

But I will say this, for the Representative and for the other members of this chamber, that in the past when we put tax credits together or we've had jobs bills or insurance reinvestment credits, other programs through DECD CI, we haven't had the oversight. And we haven't had the oversight and/or possibly the commitment that we needed for a small

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amount of money for us to return a big benefit. So with the incorporation of these positions, within the context of this amendment, we are building in safeguards, protection and accountability, Mr. Speaker, to what we do here today. So the small amount of money that we invest in this in lieu of the bigger picture of what will be created is the ultimate end result. Through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Representative Piscopo.

REP. PISCOPO (76th):

Thank you, Mr. Speaker.

And I thank the proponent for his answer. He did alleviate some of my concerns.

I'm -- I guess just a statement, Mr. Speaker, that if we -- if we took the amount of bonding and appropriations that we are laying out to create jobs in this state, if we just put it toward a tax cut, maybe, and took a revenue loss it would create more jobs. Maybe a -- maybe getting rid of the Business Entity Tax and maybe lowering the Corporate Tax, it may stimulate that many more jobs on its own without the -- how many page -- 70 pages of legislation that are before us. It's just -- I don't know -- just a

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-- just a statement but -- Like I say, I like an awful lot of this bill so my mind is not quite all the way at ease but I feel a little better about it.

Thank you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Thank you, sir.

Distinguished Dean of the House of Representatives, Representative Mushinsky.

REP. MUSHINSKY (85th):

Thank you, Mr. Speaker.

And I thank Representative Perone and Majority Leader Merrill for highlighting the work of the Program Review and Investigations Committee which, in fact, forms the basis of much of this bill, and it came from this report, "Connecticut's Economic Competitiveness in Selected Areas," that the committee produced at the end of last year.

This is a bipartisan committee and the recommendations were bipartisan. Cathy Conlin and Michelle Riordan were our researchers that produced the new economic plan. And I do thank Senator Kissel, my Republican co-chairman, and Representative Mary Ann Carson, my ranking member for their -- and Carrie Vibert, the director, for

their work on this project.

But the Program Review and Investigation Committee was rather blunt. We said that it was time to update the Connecticut economic plan for a knowledge economy. That our old plan was out of date. It wasn't working very well. The plan -- this report identified our strengths and weaknesses and made recommendations for legislative changes. And we said that we had to throw out our older economic development model and concentrate on developing the State's human capital, technical innovation and our physical infrastructure. And that it was also time to reexamine tax credits and throw some of them out and revamp some of them. We did recommend the angel investor and pre seed credits which we called sidecar, but it's the same thing. We emphasized export assistance and said the State was not putting enough emphasis on export assistance. We also recommended reinstating the Connecticut Competiveness Council and directing the Department of Economic and Consum -- Community Development to return to its focus on economic clusters, which worked well, and to use economic cluster teams to help Connecticut businesses compete.

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So we sent out four bills, which were 307, 308, 5347 and House Joint Resolution 64, and those became much of Sections 8 through 20 of this commerce bill. So much of what we recommended is in this bill, and we are very proud of it and very happy that the Majority Leader used the recommendations of Program Review and Investigations which are bipartisan. Everything that comes out of our committee must be bipartisan or it cannot leave the committee. And so we're pleased that these were bipartisan recommendations and that they are included in Majority Leader's report. Thank you.

DEPUTY SPEAKER GODFREY:

Thank you, madam.

The gentleman from Manchester, Representative Thompson.

REP. THOMPSON (13th):

Thank you, Mr. Speaker.

Mr. Speaker, believe it or not, I followed the exchange between Representative Berger and Representative Alberts. It was very interesting and, with the computer in front of me, I was able to follow it believe it or not to a good extent. And I get lost on some of these credits and limits and

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what is going to be acceptable and what is not going to be acceptable. But I did not hear an overall goal for what our economy should look like. And last night we had -- we talked about legislation that would do something about the achievement gap. On the national level, we're talking about legislation that'll do something about our healthcare system, and on and on and on. And I think one of the previous comments -- commenters on the exchange between the two gentlemen talked about other things, taking care of the elderly, and so on.

So I'm sitting here and thinking that over the last couple of months we've been talking about improving some things with small businesses and improving the working conditions of small business employees, for example, providing six days of sick leave. And there was an outburst from many of these small business owners, and I didn't question their truthfulness at all. They said that they couldn't afford to do that.

And I used the example of when we were expanding healthcare some years ago, both, the Children's Health Plan and HUSKY. There's a difference. And to a woman who came in from a small

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business in East Hartford, I believe it was, and talked to some of the people who are outreaching to build up the participation in that program and they were told that they would qualify. They were single parents. They had children and they would qualify. Well there problem was that they -- their employee was very limited, tried to give them a good day's pay but certainly could not afford health insurance. So they ask him if they might invite the people from the state office, Children's Health Council, to come over and talk to him. He said not only can they talk to me but they can talk to all the employees. And they had a mass meeting and out of that meeting, 70 families were signed up for the Children's Health Insurance Program and so were the employees. We extended Medicaid.

So in any event that would be my idea of what would be an ideal situation. We would invest in businesses that created jobs but businesses that could hold up their end of the bargain of what a good job means. And it does mean protecting the employees health, providing their children with income, a place to get healthcare, three meals a day, and so on, and so forth.

In other words what we all expect for the good life. For we know that in America right now there are 30 million Americans without health insurance. There's probably twice that many with access -- without access to healthcare.

So wouldn't it be possible with all of the talent we have in this room and in these buildings to write a preamble of what we mean by jobs, what jobs should provide -- not only a good income but also the ability to provide for your family and that should be one of our goals. Now, isn't that possible that we could write a preamble to do just that and then proceed to live up to that so that when you're looking at prospective businesses that want to come in and invest or build their business that would be one of the understandings. Well, you won't be able to do this right away but some way between our state or country and the investment community and you, employers, we will build the type of economy that will provide, not only jobs, but also good paying jobs and no child will go without care, without an education, and no child will be without an opportunity to go on to higher education and pay back this society.

So I don't hear that right now, Mr. Speaker, but I wonder if anybody who served on the roundtable could say, well, we didn't cover that or we did cover that it's yet to come. And if it -- we didn't cover it and it's not yet to come. Please, I'm appealing to those people who organized this and participated in this is to do something about defining what we really mean by good jobs and good employment and a healthy economy and strive for that rather than having the situation we have now in America where people who are employed without health insurance, employed without the opportunity to access health providers and there's no reason for that.

In our own state right now, in this chamber, we've already taken action to ensure that our health system will grow. It's not perfect. There'll be a lot of bumps along in the road. But we'll not only have primary care providers being provided by a new medical school. We will have a hospital in Hartford working with the UConn Health Center to provide primary care doctors and things like that are happening.

And there's no reason why we couldn't tie in

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this initiative instead of just saying, well, we're going to create jobs, which I hope we will and it sounds very exciting. But, at the same time, I hope that we build into that an understanding with those would-be employers, would-be investors, that they're not only getting -- creating jobs and making some economic advances but they're also doing the right thing by providing the kind of jobs that will enrich our society in more ways than just making it easier to spend some money.

So, Mr. Chairman, I would welcome any advice from anyone on that workforce group that could tell me, I don't agree with you, Jack, and this is the reason why, or I do agree with you and here's what we can do. Thank you.

DEPUTY SPEAKER GODFREY:

Thank you, sir.

The gentleman from Stratford, Representative Larry Miller.

REP. MILLER (122nd):

Thank you, Mr. Speaker.

I think this a good jobs bill, bipartisan. However, I do have a problem. There's only two areas that you mentioned port operations. And for

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some reason in the state of Connecticut -- I guess maybe we don't think we have any ports in our state but we have three. They've been neglected and, unfortunately, the City of Bridgeport, our biggest city, the port that was once a deepwater port has now been downgraded to a barge facility. And if you look at the employees at our ports, these are longshoremen. These are good paying jobs, \$40, 50 an hour. These aren't clerks. These are good paying jobs.

And one thing about ports, there's no better way to ship than by water. It's the most efficient way to go. And, yet, the State of Connecticut pays little heed to our ports. Bridgeport hasn't been dredged in 45 years. I don't know where the heck people are but that's crazy. New Haven needs to be dredged at some point in time. And that's going to be -- present a problem because of the electric cable in the shipping channel. But, by and large, we're letting our three assets dwindle to the point where we're not going to make a lot of money with them and we should be making a lot of money with them.

In 2014, Panama Canal is going to double the

size of boats that come through that canal.

Everybody on the East Coast is gearing up, dredging their channels. From ports in Florida, Baltimore, Delaware, Philadelphia, New York, New Jersey and even Rhode Island with all their financial troubles, they were able to dredge their ports. And Connecticut is not going to take advantage of the excess business that's going to be coming up through the East Coast because we're not paying attention to our ports. We're not out there trying to get money from our federal government to dredge and this is going to not provide the businesses that's going to be coming up the East Coast. We will not see much of it because we're not prepared for it.

So with that, Mr. Speaker, I want to, again, remind this assembly that ports are a very important part of the state. Could be making lots of money, bringing a lot of business, a lot of jobs and, yet, we neglect them. That's wrong. It should be an asset to the state bringing in money and it's not. And it seems to me that from the administration right down to this body, nothing's happening and nobody seems to care. So with that, Mr. Speaker, I will conclude. Thank you.

DEPUTY SPEAKER GODFREY:

Thank you, sir.

The distinguished Deputy Majority Leader from Windsor Locks, Representative Sayers.

REP. SAYERS (60th):

Thank you, Mr. Speaker.

I stand to thank the Majority Leader for recognizing that the loss of jobs is one of the biggest problems our state faced this year. We needed to do something to stem that loss of jobs or we would never be able to improve our economy and bring our state back to what it should be.

The task force that she brought together was economists, educators, business groups, among others. We looked at the PRI report, as well the -- as well as had various other groups that had a vested interest in bringing jobs who brought testimony and information to that group.

I believe that the results were much more extensive than job programs in the past. We looked at every roadblock to jobs, and we did what we needed to do to address them. Well, I want to thank everyone who took that information and produced the bill that we have before us today. I'm extremely

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hopeful that this bill can start the process, grow jobs, and stem the tide of job losses in our state.

So, again, thank you, the Majority Leader for her initiative and thank everyone else for the work that they have done. Thank you.

DEPUTY SPEAKER GODFREY:

Thank you, madam.

The distinguished chairman of the Planning and Development Committee, Representative Sharkey.

REP. SHARKEY (88th):

Thank you, Mr. Speaker.

Mr. Speaker, I just want to briefly add a few remarks for the record with regard to this bill in -- in support of it and in support of the amendment that we're addressing right now.

Mr. Speaker, I believe that this amendment and this effort on jobs in Connecticut is really an example, a shining example, of the way we need to be doing business here in the state of Connecticut. We have a problem in the state. We had a loss of jobs that was significant.

What happened back, last fall, was that the two majority leaders of the House and the Senate along with several legislators and members of the public

with a real interest in this issue in terms of trying to do what's best for the State of Connecticut came together and met frequently. I was a participant in that roundtable, as was Chairman Berger. And I was very impressed with the level of commitment and care and desire that folks had in the State of Connecticut to try to come up with the kinds of resolutions that will actually do something for our state.

We know, Mr. Speaker, that the concept of smart growth, which is something that this chamber and this Governor has embraced in the past, calls upon us to all work together to try to coordinate our policies in a way that makes sense, to not create silos where different elements of state government work in many cases at cross purposes to each other but rather work together in a cooperative way. And what this -- what the Majority Leader's roundtable accomplished was a consensus, a consensus from folks from both sides of the aisle, all political persuasions, but people who have expertise and experience in the issue at hand to address a serious crisis facing the State of Connecticut.

So I think that -- and then, from there, based

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upon the recommendations of that working group, the legislative leaders of both houses and from both parties came together and made it happen. That's the way we need to be doing business here in the State of Connecticut to move our state forward in the 21st century, not only in crisis, but, hopefully, as we get out of the current crisis from that point forward.

So I commend the Majority Leader. I commend Representative Berger and all those who -- Representative Perone and all of those, including our staff, such as former state Representative Michael Christ who played a key role in putting this all together, because this is the way we need to be doing business here in the State of Connecticut. Thank you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Thank you, sir.

Will you remark further on House Amendment Schedule "A"? If not, let me try your minds. All those in favor signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER GODFREY:

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Opposed, nay. The ayes have it. The amendment is adopted.

Representative Berger, I believe you alluded to another amendment.

REP. BERGER (73rd):

Thank you, Mr. Speaker.

The Clerk is in possession of LCO Number 4895. I ask that he call and I be allowed to summarize.

DEPUTY SPEAKER GODFREY:

The Clerk is indeed possession of LCO 4895, which will be designated House Amendment Schedule "B."

Mr. Clerk, will you please call the amendment?

THE CLERK:

LCO Number 4895 House Bill offered by Representatives Donovan, Cafero, et al.

DEPUTY SPEAKER GODFREY:

The gentleman has asked leave of the chamber to summarize.

Is there objection? Hearing none, please proceed, Representative Berger.

REP. BERGER (73rd):

Yes, thank you, Mr. Speaker.

Section 14, subsection (d) changes the cutoff

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date for the existent Insurance Reinvestment Fund credit from May 1, 2010, to June 30, 2010, and added the last sentence to ensure that people in the existing program -- individuals and insurance investors in the existing program can still carry those credits forward if they have not been claimed.

Section 14(g) conforms to Section -- subsection (d).

Section 14(j) changes some amend -- "shall" language to "may." The DECD Commissioner may adopt regulations, instead of "shall."

Section 16(f) changed the committee to receive the Report on Efficiency from the Commerce to GAE Committee because of the DAS connection.

And Section 16(g) ensures that the report is submitted electronically.

I move adoption.

DEPUTY SPEAKER GODFREY:

The question's on adoption.

Remark? The question's on adoption: Will you remark further on House Amendment Schedule "B"? If not, let me try your minds. All those in favor signify by saying aye.

REPRESENTATIVES:

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Aye.

DEPUTY SPEAKER GODFREY:

Opposed, nay.

The ayes have it. House Amendment "B" is
adopted.

House will stand at ease.

(Chamber at ease.)

SPEAKER DONOVAN:

Will you remark further? Will you remark
further on the bill as amended?

Representative Cafero.

REP. CAFERO (142nd):

Thank you, Mr. Speaker.

Mr. Speaker, Madam Majority Leader, as you both
specifically know, there are many issues that we
debate and discuss in this chamber and many of which
we disagree on.

Every once in a while -- more times than not I
guess -- we find certain things that we can come to
agreement on. And, certainly, it's when we all have
the best interest of our state in mind. We have all
been touched in one way or the other by the economic
crisis that we face. We've watched, as I've said
many times, our friends and neighbors and relatives

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losing their jobs. We watched young people leaving the state because there are no jobs to be had. And I think we all share a common concern about that. At times, our ideas as to how to help that problem differ but, in this particular case on this particular day with regard to this particular bill, we've come together. And for that I want to thank you, Mr. Speaker, Madam Majority Leader, leaders of the Senate, Governor Rell, certainly, members of the Commerce Committee, Chairman Berger, Ranking Member Alberts, and the many people that put a lot of time and effort into this bill.

This bill represents our common belief that we can do better. We want to do better and we're going to try to do better. And for that I think there's a lot of people in the state of Connecticut that are thankful. Thankful that on this subject, in particular, we could find common ground and do what's in the best interest for the state of Connecticut. It is our hope that each and every provision of this extensive bill is wildly successful and that the result is that more and more jobs are created, putting more and more of our residents back to work. Again, thank you to all

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those involved. And I urge adoption of this bill.

Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Thank you, Representative.

Representative Denise Merrill.

REP. MERRILL (54th):

Thank you, Mr. Speaker.

And thank you to everyone who not only worked on this bill but understands the significance and importance of what we're doing here today. And -- and thanks to my friends across the aisle, friends in the Senate and -- and the friends from the public sector -- from the private sector who also worked on crafting a solution to two big problems that we have in our economy.

It's been a rough, rough year in this state and in every state in the country. And we came together thinking that we need to do something. In the short term, we need to put people back to work. And all the things we want to do, healthcare, education, everything can't be done without jobs. And so in the short term, we have to focus like a laser on putting people back to work. There are pieces in this jobs bill that do that.

And we listened to testimony from many different organizations and individuals across the state, and we heard a couple of things over and over again. We heard that, in communities, small businesses are going out of business. We heard that people are not able to pay their mortgages and they are losing their homes. This is happening in our state, and they are all related.

So what we tried to do in this bill is to come up with some ways to get people back to work in the short term particularly those who have been recently unemployed and there are thousands of them. We have lost almost 100,000 jobs in the state. But they're not going to go back to work at the same jobs that they lost, and that's pretty clear from the trend in this country and across the world. There are new jobs and there are jobs out there. And we need people in some of those jobs but what we need to do is match up the skills of our existing workforce -- and we know we are a very highly skilled workforce -- with the jobs that are actually available -- and there are lots of them actually. So what we tried to do is build from our strength.

And I think one thing we suffer from sometimes

in this state is kind of a negative sense of ourselves. It turns out, when we started discussing this, we have lots of assets in this state.

Geography for one thing, we're between Boston and New York. It's a great place to be. We have a very highly skilled workforce as you've heard. And we have great innovation, Yankee ingenuity, it was born here. So we tried to look at these as assets, as positives, and move forward in a positive way.

And I do think this economy is starting to come around and we're starting to see it. But we need to help it happen and we have to foster innovation in this state the way we used to. And that's why we're the home of some of the biggest aerospace industries in the state. And they grew here and they started here. And we all know it's going to start again with small businesses, perhaps some that are started in people's homes. It happens everywhere in the country.

So some of the provisions in this bill try to foster small businesses. They give very small incentives and small grants and small tax credits to even the very smallest neighborhood businesses. We heard over and over again, people don't have access

to credit. A lot of small businesses live on lines of credit. So we need to be -- these are roles that only the State can play that really no one else is going to step in. The banks are in a place where they are not making loans and they were tightening up because of the constrictions that were going on at the national level. So, in this bill, we also have provisions that'll help those small neighborhood places because that's where we see the need.

And then, of course, there are all the provisions that are looking to foster innovation in high technology and new green jobs as so many people have talked about. This is the future for this state and probably for the country. And Connecticut needs to be on the forefront. And I really believe that some of the provisions we have put in this bill will help that happen.

We heard again, what are the problems, why isn't it happening in Connecticut? One of the big reasons is venture capital. Even though we're home to some of the largest venture capital firms in the world, very little of that money was being invested in Connecticut. And there are complicated reasons

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for that. But I think some of the investments we're trying to leverage here with a small amount of state money, relatively speaking, will help see -- help others see Connecticut as a place they want to invest.

And it's almost an attitudinal thing. It's -- it's something we have to feel from the inside. Fostering that sense of entrepreneurship and innovation that is needed to help us move forward.

We've worked on this together. We hope that it'll actually happen. There's a bun -- there's a leap of faith here to some extent that some of these things really will help our state grow. But I think it's a very carefully crafted plan. It has pieces that do both the short-term job creation putting people back to work, giving them a little bit of skill training, trying to target people who have been recently unemployed and also has a long-term vision for how we get back to being preeminent in some of these newly emerging technological fields.

So my deepest thanks to all who participated. This is the way we should be doing business in Connecticut, and, particularly, I want to stop for a moment and thank the Governor for her work with us

on this bill. Many of the ideas were proposals that she proposed. There were ideas that we proposed. There were ideas that Republicans in this chamber proposed. There were ideas that came from everywhere. She certainly helped up put this together. So my thanks to her, my thanks to all of you who worked on this with me. And let's hope that Connecticut gets moving and that's what this is about. Thank you.

SPEAKER DONOVAN:

Thank you, Representative.

Would you care to remark further? If not, staff and guests please come to the well of the House. Members take their 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.

SPEAKER DONOVAN:

Have all the members voted? Have all the members voted? Please check the roll call board to make sure your votes were properly cast. If all the members have voted, the machine will be locked and

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the Clerk will please take a tally.

The Clerk please announce the tally.

THE CLERK:

House Bill 5435 as amended by House Schedules
"A" and "B."

Total Number Voting	144
Necessary for Passage	73
Those voting Yea	140
Those voting Nay	4
Those absent and not voting	7

SPEAKER DONOVAN:

The bill, as amended, is passed.

Representative Merrill.

REP. MERRILL (54th):

Yeah, thank you, Mr. Speaker.

I would move that we transmit all items
requiring further action to the Senate.

SPEAKER DONOVAN:

Motion is to transmit all items acted upon
today that need action to the Senate. Is there
objection? Any objection? Hearing none, so
ordered.

Will the Clerk please call Calendar Number 379.

THE CLERK:

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THE CHAIR:

Senate will come back to order.

Mr. Clerk.

THE CLERK:

Calling from Senate Agenda Number 3, House Bills Favorably Reported, Finance, Revenue and Bonding Committee, substitute fro House Bill 5435, AN ACT CONCERNING RECOMMENDATIONS OF THE MAJORITY LEADERS JOB GROWTH ROUND TABLE, Favorably Reported, Committee on Finance, Revenue and Bonding. The bill as amended by House Amendment Schedules A and B.

THE CHAIR:

Thank you, Mr. Clerk.

Senator LeBeau.

SENATOR LEBEAU:

Thank you, Mr. President. I move acceptance of the Joint Committee's Favorable Report and passage of the bill in concurrence with the House.

THE CHAIR:

On acceptance and passage with the House, will you remark, sir?

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SENATOR LEBEAU:

Thank you, Mr. President. Excuse me for one moment. I'm trying to find a list of people that worked on this bill and it's a long list and I don't want to blow it by not mentioning them. And of course, I can't find it.

First, let me start off with that people know this is an important bill. That this is probably one of the most important bills we're going to pass this year, it not the most important bill we're going to pass this year. And it's also probably the most important economic development bill that this Legislature has done, at least in my almost 20 years of being here.

And looking -- most of that time serving on the Commerce Committee and knowing what we had before, it is probably the most significant economic bill that this Legislature has ever endeavored to pass. It is the right bill at the right time.

Rahm Emmanuel, who I'm sure some of you folks out there don't like, but he said, "A

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crisis is too important to waste." because what it also provides is an opportunity. And this legislature, I'm extremely proud of tonight, extremely proud of to be a member of this Legislature, has made the crisis that we feel on the economic development stage into and opportunity to help create a better state, to help create jobs. And we are doing exactly what this -- what is needed, exactly what is needed.

We are reinforcing and helping, particularly in this bill, small business. Small businesses - why small businesses? We know the answer -- because we've heard it from both sides of the aisle. Small businesses because we know that 80 percent of the jobs are in small businesses and that 97 percent of new job creation is in small business. So if we want to create jobs, the way to do it is to help small business and that's what this bill is all about.

But it's not just about small business per se, it's about particular small businesses, in some cases, in some portions of the bill. And those in that particular area is the area of high

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technology and in particular, high technology and green technology. We are hoping, through this bill, to create the jobs of yesterday and not of today, but the jobs of tomorrow. The jobs that will be available not just to the people out there today who are looking for jobs, but the people -- but our kids. My son, 22 years old or my other son who's 20 years old and getting out of college next year, to perhaps work in that industry.

Again, I am so proud of the Legislature tonight. If you look at the amendment that we have, all the leaders have signed on, Republican, Democrat. The Governor has endorsed the bill. We worked with OPM in this bill, a variety of people.

And I'm going to take that second to see if I can find that list because there's some people I do want to thank specifically. But let me start off with -- let me start off with somebody in this circle.

First of all, I want to thank the president of the Senate, who has said right from the very

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beginning and last fall, we have to have an important jobs bill and this bill is it. And I particularly want to thank the Senate Majority Leader, who formed this group called the Round Table, along with the Majority Leaders and the Majority Leaders Round Table, along with Denise Merrill of the House. And we started last -- I think the first meeting I went to was late last August on this. And we brought in some of the best minds in the state. And I'm sure you'll know some of these names; Lyle Ray, Nathan Emerson, Mr. Pepin from banks, people from UCONN. And here's where I don't have the list and I'm going to blow it so I'm not going to go too far on that. But we brought in some of the best minds in the state to work on this bill and say what can we do that will have -- that will be effective, that will help to create jobs -- again, not just for tomorrow, but for the long run and lay a better basis for economic development in the state of Connecticut. and that's what we did.

And the people in this chamber also. I want

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to thank Natalie Wagoner who helped to shepherd this through. Natalie's back over here. And down in the House, Michael Crist~~er~~ a former Representative and a variety of -- and without the list I'm going to blow it -- but I want to mention some of those people. They did -- they have done yeoman's work on this -- if you look at the bill you'll see it's not a short bill. 32 different sections with about 13 or 14 major program implementations that we were not doing before. And improvements on programs that we have like the Job Creation Tax Credit, like the Insurance reinvestment Act. Helping college students with loan forgiveness programs; helping to establish a program for technical training at the regional and technical colleges; a small business loan program to be administered by DECD; the exemption for the sale of machinery, equipment, tools, materials and supplies used in renewable energy; authorizing CI, Connecticut Innovations for up to 150,000 dollars in preseed financing and technical services and resources to business.

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going to insure that we have a better bang for our buck, that we have more production from our tax credits; to insure that we get jobs out of this bill and for all the dollars that the state's going to put up.

We talked about -- I didn't mention Angel Investment Tax Credit. Angel Investment Tax Credit is something we've worked on for years, and something that's going to finally come to fruition this year. Where were taking -- and a lot of this is so important because we're taking Connecticut money, dollars that are out there. Connecticut corporate dollars, Connecticut individual dollars, personal income tax dollars and using those dollars and providing incentives to invest that money back into Connecticut. Into Connecticut small companies, in to Connecticut preseed companies, into Connecticut companies that are just starting off and to give new life and to bring to life new industries.

Now, if you think about all the major industries in this country that are there today, most of them weren't even in existence ten years

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As I mentioned, the major portion of this bill is the taking of a legislation that was not working very well that the Program Review Committee looked at last year and I want -- I'm just looking at John Kissel and I just want to give him a lot of credit, too. Program Review had a lot of input on this bill. And took -- a lot of the recommendations on this bill were previously in the Commerce Committee and previously in Program Review, it came out this year through Program Review and there's probably six or seven bills that Program Review was authorizing with Senator Kissel at the helm with Mary Mushinsky down in the House that we've combined in to this bill.

And one of those programs that we looked at and said this has to be improved is the Insurance Reinvestment Tax Credit, where we were paying up to \$400,000 a job. Not a good program, but with the help of the Senate staff particularly and somebody else I want to thank is Ellis Keletar who helped move this and tightened that up to make this into a better bill. And to one that is

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ago. Think of Google. It's -- I believe it's nine years old. It went public, what , six years ago. It's not one of the most valuable companies in the world. But it's about mind, it's about innovation, it's about technology and that's what this bill attempts to do, is to invest in that.

We do some things we haven't done before in this bill. We ask the DEC commissioner to provide assistance for exporting, manufacturing and cluster based initiatives. You know, we have not done hardly anything in this state to help exports, but 40 percent of our economic growth overall in the state is in exports. But we haven't used the mechanism of DECD to actually work with the Commerce DEPT, which can help us grow our exports, and that's where we should be - - because when we send those dollars, when we send those products abroad, that means dollars are coming back and that means jobs in Connecticut.

We reestablished the Competitiveness Council. We helped with the mortgage crisis by providing 1.3 million dollars in mortgage crisis

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job training programs. We helped with a \$500,000 in lean manufacturing to help our major companies help companies throughout the state, small companies, medium sized companies, to become more lean and it's a term of art, but essentially, they become more efficient, to produce more using less, to make sure that they can stay in business and grow in Connecticut. DECD is to establish a pilot program to assist manufacturing companies to do that.

This is a great bill, folks. I know we're all going to vote for it. I don't want to take up too much time talking about it, but I do want to say that this is important, what we're doing tonight. And as I said when I started, this is an extremely important bill for us this year. I'm very proud to be a member of this circle tonight. And I'm very proud of the work that the legislature has done.

And I also want to thank -- she just walked into the room -- I want to thank Senator Daily for all her guidance on this bill, too. Because we know there's some tricky financial pieces to

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this and financial -- from the finance side and

Senator Daily's been a steady rock for us.

Thank you, Mr. President. And I move passage and acceptance.

THE CHAIR:

You've done that already.

Thank you, sir.

Will you remark further?

Senator Frantz.

SENATOR FRANTZ:

Thank you, Mr. President. In the perfect world, every single person of working age and who wants to work would have a job. And unfortunately here in Connecticut our unemployment rate hovers around 9.2 percent, unacceptably high. It's too high throughout the entire country, but right here in our home state, in Connecticut, it is certainly too high, especially given our history of a very successful and thriving economy, particularly in the past, in industry of all different sorts and manufacturing of all different sorts.

A tremendous effort has gone into making

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this bill a really good one that I hope everybody supports. It did very well in the House and I want to thank the leadership once again for their supreme efforts in bringing it to fruition here. And that's Senator LeBeau and Representative Jeffry Berger. And also, PRI, all the way along, he has ushered the whole concept of this jobs bill. With their recommendations for the best and Senator Kissel's had a great deal of interest that he's expressed in the whole area of job creation and economic development.

We absolutely have to as a state pay attention to this. It's a tougher ride for us here in Connecticut. There are many other states that have factors going for them that make it much easier. Easier climate, lower taxes, lower costs of doing business and so on. Here in Connecticut, it's always going to be an uphill battle to create jobs, but this bill addresses it and it does it in a lot of wonderful, fruitful ways.

The four areas that I like in particular -- and I think will make a big, big difference in

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the return to health here in the state of Connecticut; Angel Investment Tax Credits, an ~~an~~ absolute must in order to support some of these ~~the~~ emerging industries. Job creation tax credits are ones that we've been hoping to get for at least the last year and a half or so, probably even longer. It's great to see this in bill form.

How about this? Five million dollars in preseed funding money available. That's never been the case as far as I know in the state of Connecticut. To put that in there is bold and I know it's going to deliver a good return on investment to the state of Connecticut and to all of us.

The Competitive Council, that was in existence for a few years, a few years ago. It comes back into place if this bill gets signed in to law and that is another great point of this bill in that it formalizes the whole exercise of having to look at what we have going for us compared to our neighboring states and compared to not only the other states in the country, but

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the rest of the world. How can we make ourselves better. And we need to do this on a continual basis, not just once every two years or once very quarter or even once every month. Things change quicker these days than ever before.

The -- I have two very short questions, Mr. President, through you. Mr. President, through you for Senator LeBeau.

THE CHAIR:

Senator LeBeau.

Senator Frantz.

SENATOR FRANTZ: ..

Thank you.

This is for clarification of the purpose of legislative intent. And this has to do with the reinsurance or Insurance Reinvestment Fund and my question for you is if companies comply with these provisions in the bill, would their operations be governed by the same statutes and rules that existed on or before December 29th in 2009?

THE CHAIR:

Senator LeBeau.

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SENATOR LEBEAU:

The answer is yes. The companies that have been approved and certified between January 1st, 2010 and July 1st, will be regulated under current law before passage of this bill. With the exception at the proof of a minimum one million dollar investment must be provided for each company prior to July 1st, 2011.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you. That answers the question to my satisfaction. Senator, through you, Mr. President, in section 14, if you'll look at the language it indicates that the aggregate amount of tax credits allowed after passage of this law will be 200 million dollars. It's my understanding that the 200 million dollars is an aggregate number for those tax credits allowed after July, 2010. Is that a safe assumption, Senator LeBeau? Through you, Mr. President.

THE CHAIR:

Senator LeBeau.

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SENATOR LEBEAU:

Yes, the 200 million collar figure is for tax credits allowed under this law after July 1st, 2010, and does not include tax credits allowed prior to this date.

I just want to add something else. It's important to note that those institutions or companies which currently hold tax credits, but have not used them will continue to be able to use those credits in accordance with the law as it existed prior to the passage of this bill.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you. Through you, Mr. President, I appreciate the answers to those questions and my final statement is this. This is a good bill, fellow Senators, let's pass this bill. Let's get Connecticut back to work. Thank you.

THE CHAIR:

Thank you, Senator.

Will you remark further? Senator McLachlan.

SENATOR MCLACHLAN:

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Thank you, Mr. President. I rise in support of this legislation and I am grateful to the bipartisan effort that has occurred in this process. This is what are constituents are asking us to do, to work together and it's really heartening to see the good work that occurred in developing this bill.

You know, we have lost 101,000 jobs in the state of Connecticut, and one of the things that I commonly hear from my constituents, primarily small business owners is, what is the recovery proposals of government doing for us? And this is one of those ideas that I think is going to work for small business. This really is a good idea.

And another good idea here is that we're encouraging our graduates, our recent college graduates to stay in Connecticut. and we all know that it's a challenge to keep our young people, once they graduate, to stay here. Bravo on that aspect of this legislation.

The small business assistance program is a job generator and this is good news for

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Connecticut and for Connecticut small businesses.

Thank you to everyone who worked so hard on
this bill.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Will you remark further?

Senator Boucher.

SENATOR BOUCHER:

Thank you, Mr. President. Mr. President, I
also rise to support this very good bill, and
also, applaud the hard work that was done on it.

It actually is a bill who's title actually
matches the content of the bill and is positive
for the state.

But I do rise to make a cautionary note that
in other bills that we may be entertaining in
this very short, last few days of the session, we
should be very cautious about also targeting our
very large businesses because these very small
businesses -- and many of us have family members
that work at these very small business, often
dependent on the very larger firms. They're

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often small electronic firms, technology firms that get a lot of business as subcontractors for them and if the larger businesses would go away, they too, would suffer and would not be able to stay in Connecticut or keep their businesses thriving. So on that cautionary note, I think it's a great bill, ought to pass. Thank you.

THE CHAIR:

Thank you, Senator.

Senator DeBicella.

SENATOR DEBICELLA:

Mr. President, what a difference a few small days make. A few days ago, we were debating, very fiercely, SB 1, which there was serious disagreement about, whether it would create or destroy jobs. I think this circle stand unified behind this bill tonight as a bill that truly help small businesses.

And I'm pleased to speak on this because when I first arrived here and started my state Senate career in 2007, I worked with many members of this circle promoting the ideas that are in this bill tonight. And as I end my Senate career

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formally in the next couple of months, this is a bill that I can be proud to get behind.

And the great thing about the bill that Senator LeBeau's put together is the diversity of sources of the ideas that are in here. We have things like Angel Investments, which, back when I was ranking member on Commerce in 2007, we had people coming and said, oh geez, that's a great idea, we should do that. And now it's coming to fruition.

You know, ideas like the Job Creation Tax Credit, which people from Gail Slossberg to Gary LeBeau to Governor Rell, the Senate Republican caucus have all included at different points in our plans for job creation. And tonight we do the thing that we proposed as a Senate Republican caucus to actually lower it to any job created and to expand it to S corps and LLC's.

Ideas like economic clusters, which everyone has been talking about we need to generate here in Connecticut.

Mr. President, this isn't a panacea. This bill's not going to fix the recession. It is not

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going to reverse all the job loss, but it is a
move in the right direction. And it will help
small businesses create jobs. And if this state
legislature can help even a couple small
businesses out there hire a couple more workers
then we are doing a good job.

So, Mr. President, I stand in support of
this bill tonight. It may be one of the most
important things we do as a state legislature
this year. Thank you.

THE CHAIR:

Thank you, Senator.

Will you remark further?

Senator McKinney.

SENATOR MCKINNEY:

Thank you, Mr. President. Mr. President, I
rise in support of this bill. I would thank all
of those, both in the Senate and the House who
worked on it. And rise simply to echo the words
of Senator Debicella.

We need to be mindful that this bill has
some very important steps forward, particularly
for small businesses. But it will not in and of

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itself, turn our economy around or bring back those hundred thousand jobs that were lost. That is still an important task for us to work on.

There is still work left for us to do. And hopefully, this bill is a model of bipartisan cooperation that we can use to continue to move our state forward as we try, not only just to recapture those hundred thousand jobs that were lost, but build an economic foundation for the future of the state of Connecticut.

It is often said that somewhere between 80 to 90 percent of our new jobs created are small businesses. And that's true, but also, as Senator Boucher pointed out, we have a number of extremely large important businesses in the state of Connecticut as well, who many small businesses are dependent on for their very survival. It is a balance that works together for our state and hopefully this is just one step of several we will take to get our economy moving again. Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

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Will you remark further?

Senator Looney.

SENATOR LOONEY:

Thank you, Mr. President. Mr. President, speaking in support of the bill, certainly I think that as Senator LeBeau and Senator McKinney and others have said, this really is a significant bipartisan achievement for this session.

I wanted to commend the Governor for her commitment to make sure that we did a job development bill in the course of the session. Want to thank our Senate president, Senator Williams for the urgency with which he pursued these issues throughout the session and Speaker Donovan, also, for his cooperation. Especially wanted to thank my counterpart in the house, Representative Merrill, with whom as Senator LeBeau said we convened the Majority Leaders Job Growth Round Table all throughout the fall. I had a panel of very helpful experts who worked closely with us, presented options and ideas and did a close analysis of various aspects of

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Connecticut's economy.

And Senator LeBeau was a particularly active participant in those job-round table discussions, along with his counterpart, Representative Berger. And of course, our Finance Committee, Senator Daily, Representative Staples, obviously worked on this and closely examined the tax and bonding implications of this.

So it really is I think a recognition of both the job crisis that we face and also the fact that our economy is changing in so many ways, that small business is such a critical part of our economy, more than it ever was. And will be even more so, going forward.

And I think among the significant elements in this bill are those that do provide particular assistance to small business. In section 6 of the bill establishing the small business loan program to be administered by DECD to provide loans of up to \$500,000 and loans and lines of credit for businesses with fewer than 50 employees, and authorizes bonding funds for that program.

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Also expanding the Job Creation Tax Credit to small businesses again, those under 50 employees that create new and full time jobs between January of this year and the end of 2012. A credit for \$200 a month for up to three years to be taken against the Insurance Premium Corporation and personal income taxes.

Also, Mr. President, I wanted to call attention to the fact that we are also paying particular attention to the need for providing incentives for the hiring of those with disabilities in Connecticut. And a portion of the job development tax credit is provided for businesses that create new positions for individuals hired through the Bureau of Rehabilitative Services. Again, an important sector that needs to be stimulated because we know there are so many people who are hoping to be self sustaining and self supporting, and we need in some cases to provide incentives for employers to give them that chance.

So, Mr. President, it is -- there are so many critically significant elements here. We

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also have a provision, a bonding fund for the mortgage crisis job training program, which has been a success that we want to sustain and continue that. Again, Mr. President, this comes - this bill comes after our bill earlier in the week in which we canceled a number of bonding authorizations and now we are providing new targeted authorizations for particular purposes to stimulate job development.

So again, Mr. President, I think this is a significant achievement for the session, in a bipartisan way; that all four caucuses and the Governor have contributed to and can be proud of. Thank you, Mr. President.

THE CHAIR:

Thank you, Senator Looney.

Senator Williams.

SENATOR WILLIAMS:

Thank you, Mr. President. I rise also to support the bill. And to thank everyone who was involved on both sides of the aisle. I won't repeat all the folks that Senator LeBeau thanked and Senator Looney thanked. I think they did an

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excellent job of covering all the bases. But I do want to point out very specifically that Senator LeBeau has concentrated a good portion of his career as a state Senator fighting for jobs and to improve the economy in the state of Connecticut and this is another feather in his cap in terms of his work. And Senator and Majority Leader Marty Looney was part of the effort, actually one of two leaders with Denise Merrill in the House, folks who really took this whole process, shaped it, made it happen, brought this bill before us. And then my good colleagues on the other side of the aisle, the Republican legislators and Governor Rell all participated. This is, as has been said, a bipartisan, joint effort by all folks involved and it's a credit to this Legislature and to our state government.

Very briefly, very important for the struggling businesses out there that they have access to capital. This provides that through revolving loans. Small businesses often live and die by the lines of credit they have and their

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specific access to capital through lines of credit. This helps them keep those lines of credit open so that they can keep their businesses running.

We know, in Connecticut, unemployment levels are higher right now than they have been in many years. There are unemployed workers needing retraining. This bill provides that at our community colleges. And we know one of the waves of the future is in green energy technology and this bill provides credits and incentive for investors to get involved, in the state of Connecticut, to create those industries in Connecticut and create those jobs in Connecticut.

So for all of those reasons, Mr. President, I proudly support this bill. Thank you.

THE CHAIR:

Thank you, Senator Williams.

Will you remark further on the bill?

If not, Mr. Clerk, please announce the pendency of a roll call vote.

THE CLERK:

Immediate roll call has been ordered in the

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Senate. Will all Senators please return to the chamber? Immediate roll call has been ordered in the Senate. Will all Senators please return to the chamber?

THE CHAIR:

Have all Senators voted? Have all Senators voted?

If all Senators have voted, please check the board to make sure your votes are accurately recorded.

If all Senators have voted, the clerk will announce the tally.

THE CLERK:

The motion is on passage of House Bill 5435, as amended.

Total number Voting	32
Those voting Yea	32
Those voting Nay	0
Those absent and not voting	4

THE CHAIR:

The bill passes in concurrence with the House.

Senator Looney.

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SENATOR LOONEY:

Thank you, Mr. President. Mr. President,
would move for immediate transmittal to the
Governor, substantive House Bill 5435.

THE CHAIR:

Without objection, so ordered.

Senator Looney.

SENATOR LOONEY:

Thank you, Mr. President. Mr. President, if
the Clerk would now call the consent calendar.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Immediate roll call 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?

Mr. President, the items placed on consent
calendar number 2 begin on Calendar page 1,
Calendar Number 72, Senate Bill Number 95.

Calendar page 2, Calendar 118, Substitute

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Mr. Chairman.

REP. BERGER: Thank you, Senator.

Senator Looney.

SENATOR LOONEY: -- to majority leader Merrill, I will go after her, if you don't mind.

VOICE: How would you like to go together?

REP. BERGER: This is a distinct privilege to have both the majority leaders in front of our -- our committee.

REP. MERRILL: Thank you. Good idea.

Okay, we didn't actually rehearse this so. Thank you. Thank you for having me. Chairman Berger, Chairman LeBeau, members of the Commerce Committee. And I have to say I'm -- I'm back at the Commerce Committee. I sat on the Commerce Committee for a long time in the 90s. It's a different time. But nice to be back.

I'm here today to testify in support of H.B. 5435, which is the Recommendations of the Majority Leaders' Job Growth Roundtable. Here at the Legislature, we have struggled over the last year with massive budget short falls. But make no mistake about it. Connecticut's budget woes are a symptom of the real problem. And that is job loss.

And Connecticut as we all have heard the dismal statistics have lost -- you know, you hear different statistics, somewhere between 88,000 and 94,000 jobs over the -- since the recession began. So, Senate Majority Leader, Looney and I convened a group this fall, we call the

Majority Leaders Job Growth Roundtable.

Specifically because we knew that the real issue in this state is jobs and what can the state do to bring back jobs, address the fact that the same jobs probably won't be back. And to really see what we can do to create some sort of vision for the State of Connecticut moving forward.

In a really systemic sort of way rather than looking at one area at a time. And we -- we called in members of the Senate and the House were included in the roundtable, including the two chairs here. And included leaders in the business community, labor, educators, entrepreneurs, and venture capitalists. And I attached a copy of our report to my written testimony.

The mission of the roundtable is to evaluate strategies to facilitate job growth and strengthen our economies. This is a time when the state has no resources to spare. But I would also say it's not a time to be passive, sit back and do nothing. The consequences of that are potentially far worse for us.

So, we need to be strategic to be effective with limited resources. We all know the limit -- the limits of our resources. But we also need to make sure that whatever we do is effective. And that was the question we asked of the people around the table. What does Connecticut want to be? And the answer was, we want Connecticut to be a center of innovation and entrepreneurship. A place where our Yankee ingenuity can flourish.

This is a major departure, I would say, from the very traditional sort of old school model of economic development, which state's employ.

Many of them, not just our state. By that I mean a strategy of landing the one big deal at a time. The sort of big box theory of economic development.

Our economy is in the worse recession since the Great Depression. There are quite frankly very few of the one big deals to be had right now. So, big -- big corporations that are household names, like General Motors, are fighting for survival. And Connecticut, despite all the wonderful things our state offers, has not been nearly aggressive enough.

In these times, with scarce resources, the best action that our state can take is to make it possible for talented people and great ideas to take route. This new strategy of innovation economics can transform Connecticut into a center of innovation that can be a magnet for entrepreneurs across the region.

There are many people already in our state that want to launch new businesses and within an hours drive, there's one of the largest concentrations of entrepreneurs who operate outside of Silicone Valley. So, in short, geography is with us.

The recommendations are in the report. And I won't go through the whole thing. I'll just sort of try to set the stage a little bit. But basically the five things we addressed were investing in all stages of business growth. And you'll see we propose a series of measures that would help the state invest strategically in start up businesses and innovative entrepreneurial areas that perhaps we could launch into certain sectors of our economy.

Exporting assistance came through and the recommendation is something that we need to be

developing new markets for some of our industries in Connecticut. Innovation in government, including streamlining more on-line government, and the kinds of things that have been proposed over the years. But we need to action on sooner rather than later.

A realignment of our tax credits. And this relates to the first part about investing strategically. We found that we have a number of tax credits. And this is outlined and several of the reports that we drew on, particularly the PRI report, the Program Review and Investigations report, on economic competitiveness.

We borrowed some of their ideas. And some -- one of them was, they had a list of tax credits in there that they thought through their investigation and research, could really be redirected as opposed to eliminated. And perhaps redirected in areas where we'd like to see investments.

So, and -- and would allow more people to be able to access the tax credits. And then we created -- we are recommending a support for industry clusters. And I think you'll hear from some others who might testify about exactly what this industry cluster is. We -- we developed a sort of a cluster strategy in the mid 90s, as I recall.

Where you sort of try to encourage certain clusters of industry that cluster around a particular theme. And -- and it sort of builds on the assets and -- and clusters of industry that we already have here, the bio-tech industry is an example of that. And so, you'll hear a lot more about these ideas that we have.

I think there are other people here that will

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testify at length about the -- the sort of individual strategies that we have to support things like the industry clusters. So, with that maybe I'll turn it over to Senator Looney and we can talk more about it.

Thank you.

SENATOR LOONEY: Thank you. Good afternoon, Senator LeBeau, and Representative Berger and members of Commerce Committee. I wanted to thank you for the opportunity to testify today in support of House Bill 5435, AN ACT CONCERNING THE RECOMMENDATIONS OF THE MAJORITY LEADERS' JOB GROWTH ROUNDTABLE.

And first I'd like to commend both of the co-chairs of this committee for your active work and participation in that three months of discussions that went on around the deliberations of that Majority Leaders' Roundtable, along with Representative Verona, the members of the Committee.

We are just beginning to begin to see the way out of the devastating economic crisis of the past two years, the great recession that we've been in. And assisting small business is the best way to create jobs in the current so called jobless recovery. Because we know that our economy has shifted.

We are no longer the home of a large number of very large manufacturing based employers as we were when I was growing up when my father worked at the old Winchester plant that employed several thousand people in New Haven. And was down to a few hundred before it's -- before it's close.

But, this legislation I think begins to target the kind of -- of -- of entitlement that we need

to have looking at the new economy that we face in our state. This legislation as well as Senate Bill 1 and House Bill 5368 will help Connecticut take a major step toward economic recovery.

Among other things, the bill establishes a \$12 million bond funded program to fund pre seed projects and authorizes tax credits for angel investments, strengthens the job creation tax credit. And the changes in the job creation tax credit are necessary because we know that many of our job creation tax credit programs were geared only to larger businesses.

And yet, most of the new jobs in Connecticut are being created in smaller businesses. So they need to be able to access job creation tax credits as well. So, that when we had a program where -- where businesses had to be creating ten or 15 new jobs in a year in order to access a credit, it doesn't work with small businesses that, maybe able to create four or five jobs in a year and need the credit to be able to do that.

So we need to -- to recognize that the changing world before us. And the bill would also allow funding under the manufacturing assistance act for export assistance as well. Because, again, we know that exports a significant part of -- of Connecticut's economy.

We also looked at -- during the discussions of the roundtable, the fact that we have three ports in Connecticut, all of which are to some degree under utilized. But they are potentially great engines of economic development. These changes that are recommended in this bill would create a more business friendly atmosphere in Connecticut.

But targeted to the kind of businesses that are most likely to show significant growth in future years. And would foster innovation as well as job creation. Is as -- and as Representative Merrill said, Connecticut is always prided itself on innovation and entrepreneurship.

And we need to -- to find the right way to present what is always been our strong suit in this new economy. Connecticut 75 or 100 years ago, had the best machinist and tool and dye makers. At a time when our economy was based upon that. We need to make sure that we have the right kind of workers for the jobs that are going to be created going forward.

So, thank you so much for raising this important legislation, which emerged from the three months of research, and discussion, and consideration of possible initiatives to stimulate job growth in Connecticut. It was undertaken by the -- the cross section of -- of scholars, legislators and business development specialists who convened as the Majority Leaders' Job Growth Roundtable. And I think many of the participants in those discussions will testify before the committee today.

Thank you again, Mr. Chairman.

REP. BERGER: And thank you for your testimony. And for both of you for your exceptional leadership in putting together the job roundtable committee that met like you had stated, over the course of several months to come up with this important strategy that's before us here today.

One area that we see that's going to -- I believe, needs to get expanded upon and Senator, you had spoke briefly about it. But

certainly the area of micro business as when -- and what we term a micro business. And this committee, we turn that as gross revenues of \$3 million or less. Which comprised 90 percent of the businesses that part of a Chamber Commerces, part of operating businesses and all of our communities in the State of Connecticut.

So, you're exactly correct, Senator, that they have been kind of left -- left to the side. And if a big, big businesses have been targeted. There's certainly an area for us to continue that. But there needs to be a new model that addresses that need, both on the non-bankable side of business -- of business development for those that cannot go to general lending sources.

And for us to be able to expand it. This committee is done a lot of work with that, in micro businesses. And this year we're going to move forward a couple of bills that deal with funding and expansion of micro business and we look forward to working with both Majority Leaders on that. And you know, we excited about that.

And it's interesting that this year many of the items that are in the jobs roundtable and were discussed are -- have been part of this committee for many, many years. And when we talk about angel investing and seed capital for early start ups, certainly this committee's really been trying to push forward that for many years. And we're excited now that -- that you have supported us in the past. We just need to get the executive branch now to move forward in these important initiatives.

So, again, thank you for both of your leaderships. And thank you for everyone that was involved in that three or four months of

work. And putting a very comprehensive, efficient and dedicated program that ultimately creates jobs. Helps with our tax revenue base. And helps have us become competitive in a global economy.

So, thank you again.

Senator LeBeau.

SENATOR LEBEAU: Thank you, Mr. Chairman.

I want to have my remarks resinate with my co-chair to say that -- continually thinking about how do we help create a better tomorrow. And, you know -- and this is -- it's been said, you know, so often that we have a crisis in the economy. It's an opportunity and I -- I applaud you -- both of you for seizing the opportunity that we have to move forward.

By ourselves, we are not going to reindustrialize America. But -- and your -- both of your remarks, you eluded to in a sense reindustrialize Connecticut. And that's the ground that we're playing on. And that's the ground that I think we've established. I think this is the most important bill.

I've said this before I think this is the most important bill that I've seen in 14 years of running this committee. It's most comprehensive. It's going to become more comprehensive. I suspect as going forward with -- with a process. And -- and I believe that the Governor's office will -- and the administration will be joining us.

And there are ideas here that are many common ideas, threads from the bipartisan the bipartisan manner. Ideas from the minority side. Ideas from the majority side, the

Governor's office. Because a lot of common ground. The hard part is always paying for it, as we know.

We've got some pretty innovative ways of doing that in this bill. And I commend everybody who worked on the -- the roundtable group for their work and they'll be coming up today. Many of them to talk about the specific portions of the bill.

But, again thank you and I think that -- the other thing I want to say, PRI did a great report. And a lot of that was borrowed -- I think borrowed and stolen. Not -- this is not just PRI, but a lot of what PRI got, got from previous -- as co-chairman mentioned got from previous testimony and previous bills that were in front of the Commerce Committee.

But the fact that both of you have personally taken an interest and said we are going to provide leadership on this issue, is crucial. The problem with -- we know with the problem with PRI is that they have -- they write great bill and then they die.

We are -- as we have integrated -- well, it happens here too. That's correct. But more so with PRI. But the fact that you've taken this personal interest gives me great faith that -- that much of what is in this bill and other bills that we're going to be looking at. And you mentioned SB -- Senator Looney, you mentioned SB 1 and another bill.

And there's other -- other bills out there that I think will, you know, end up with a package of -- for economic development that has never been seen in my career in the General Assembly which goes back to 1991. So I thank you.

SENATOR LOONEY: Mr. Chairman, just to add one -- one point of following up one a point that Representative Merrill made earlier about one of things we're hoping to do is as a result of this is to reinvigorate the idea of the cluster initiative. Now, in terms of bipartisanship, where it's -- I think it's important to acknowledge that that was a very significant and very noteworthy initiative of the Rowland administration in the mid 1990s.

And that was something that seems to lost momentum somewhere along the way. But it was a good idea then and it's a good idea now that we need to kind of -- of revive and move forward.

SENATOR LEBEAU: Thank you.

REP. MERRILL: I just -- I wanted to say one more thing. I -- I think this bill is the beginning rather than the end of something. I think we're going to need something much more sustained as an effort. Perhaps some sort of institute or something -- we explored this idea and some of the other states have that.

And I think we actually the bill in GAE to do this because you really need a sustained effort to recruit businesses to think through what your assets are and that sort of thing. We saw an example of it in, I believe it was Georgia has done this, with great success. And also up in Rensselaer has an institute on economic growth that they've put together with the state.

A lot of it was with no state money what so ever. It's been funded by foundations and -- and the business community itself. And I -- I would say we came to the conclusion at the end of our efforts that really we're going to need something like that to keep moving on just sort

of almost a think tank approach to what our strengths are and how we can capitalize it on in the state.

Because I think that's sort of the future of this. So this is sort of a first steps thing. We were conscious of the fact that what we were doing was trying to do both short term things that also have long term benefits and goals. But that has to be sustained as a sort of thinking effort about where we're headed in the long term.

So we will probably propose something like that. I don't know if we'll be able to do it this year. But I'm thinking this might be -- and we are working with the Governor, by the way, on this whole area of job growth. I'm very hopeful that we will come out with some sort of bipartisan package that will include our ideas, the administration's ideas, from the public ideas.

You know, so we're working on that right now. And everybody should just be aware of that.

REP. BERGER: We actually in this committee, we're moving forward. Being a competitive council, you know, we have a document that's -- that's public hearing wise that kind of bridges that public private partnership. Bringing many different elements in and establish some structure that we once had in this state. That was let go.

So, we need to probably move back in that direction and this committee obviously is working on that. And also, we're working on an area in DDCD where we could do better on their business development office. So we're looking at doing some restructuring and realignment in that area where we get better outreach, and

better contacts. Similar to what we do and they'll be our (inaudible) Mr. Brownfield for mediation and development, which is one stop.

You need to look at maybe a business one stop. So those are kind of -- you'll see those coming through down the pike.

Representative Alberts.

REP. ALBERTS: Thank you, Mr. Chairman. And thank you Representative Merrill and Senator Looney.

Senator LeBeau addressed before but truly many of the concepts here are things that we heartily endorse. So I'm looking forward to seeing this legislation move forward. I noticed that one of the -- the chief methodologies of paying for it is taking and redirecting some of those insurance tax credits over.

And just for the record, last week we -- we got an earful from a number of folks that have used that tax credit in the past. And I think they gave us some compelling testimony that shows some flexibility with regard to that tax credit. Because they've gone forward and they've made investments based on that tax credit many years ago.

And as you may know, for the first four years, there's no credit that goes back to them. It's only in the -- the next six years that they get an -- you know, the actual recognition of the tax credits. So, I don't know if you have any thoughts on that. Or if you -- if you want to walk into that or not. Or if you just want to stand aside. But, hopefully, you know, we can do something so that we can address this issue and hopefully address their issue as well.

Thank you.

SENATOR LOONEY: I think that that was obviously something that was highlighted. That was flagged in the PRI report also. And I think that they gathered evidence on that. So we're looking forward to -- to getting more -- more data on that. Because they -- they targeted that as in the whole category of -- of either unutilized or under utilized credits.

Or at least in recent years, that could be reformulated in a way that might have more current and -- and expansive future benefits. So we'll continue to look at that and explore that with the committee here.

REP. BERGER: Yes. And just on a side note. I'm sure they're going to be contacting you, that group. I know that they've met with us and had some discussions. So, you know, there maybe ways to move that around as far as dates of expirations and things. So, we will reach some compromise like we always try to do.

So, Senator Frantz.

SENATOR FRANTZ: Thank you, Mr. Chairman.

And thank you both for all the effort and time that you've put into coming up with this roundtable report. It's absolutely going to be worth while to -- we focus on some of these different initiatives that I believe have worked quite well in the past. Not necessarily as long as we would have liked them to. Given the ups and downs of the local and regional economy.

There's no question that jobs are the panacea for our predicament today. If we have a jobless recovery, it's not going to be much to

the people of Connecticut. And ultimately we'll have longer term implications for the economy here in Connecticut.

The question I have for you is, all of these principles -- all of the directions that you focused in are -- are terrific ones. Having worked in economic development for 15 years at CDA in conjunction with CI and DECD on tons of different projects. And clusters and all of the different ideas that you're -- you're referring to here do have a lot of merit.

But was their consideration given in the roundtable discussions leading up to the report for some of the other conditions that do make it difficult for decision makers to pull the trigger to come to Connecticut or to expand within Connecticut, or to simply stay within Connecticut. Because in my experience it goes beyond some of the attractive initiatives that we can put forth.

It -- they speak to tax rates. They speak to feeling overly regulated by the different regulatory bodies within Connecticut. And you've got a very distinguished group of people in this roundtable here. But -- but there's a noticeable absence of people from the traditional private industries in Connecticut, such as UTC.

Just if nothing else, just to get their perspective on what they think is working. What's not working. And what they're suggestions might be. And I'm sure you have provisions for that in the future.

But the simple question is, was there consideration for anything outside of the initiatives that I -- in my brief reading here have picked up in the roundtable report?

REP. MERRILL: The short answer is yes. In fact we had quite a long discussions. And we had a lot of testimony from businesses of all sizes. And originally one of the members was Oz Griebel, who sort of in the middle of this decided to run for Governor. So, it made it a little awkward.

But we did. So we -- yes, we did. And actually in my recollection, the thing that rose to the top in terms of barriers, was transportation. And we didn't really talk about it a lot in this job growth roundtable because it's a huge -- you know, the issue is so big and it's being discussed elsewhere.

So we chose not to kind of highlight it as a proposal coming out of this. It was the biggest issue that came forward time after time. Companies don't locate here because they simply can't move people around. And we had testimony from companies who had actually made decisions to go to where else, like New Jersey and places like that.

Just because, you know, the sites may have been equivalent for various reasons. But just simply being able to get people back and forth on the highways or whatever mass transit existed, is apparently much worse here in Connecticut than it is elsewhere. So, that -- that rose to the top as being the biggest barrier to people locating in Connecticut.

And we've been told that before. There was a report several years ago that cited Connecticut was in danger of being a dead -- the dead end of New England because of our transportation problem. So, I think if there were anything that came out of this report, that -- that in my mind is it.

And that's why -- but there are others working on, you know, the rail line and so forth. I mean something literally has to be done, or we will be completely out of competition for almost everything on transportation. And it was freight rail and it was other things. Anything to get trucks and cars off the roads was essentially what they were saying.

The second thing was definitely the bureaucracy and there are proposals in GAE following up on some of the concerns here. And the concern was simply the certainty factor of whether you can get permits on time. And whether you can access government services, even as simple as -- now I'm finding out registering your business is apparently a big hassle.

I mean everything is apparently quite a hassle in Connecticut. Some of it is our bad information technology systems among others. And so the other recommendation was immediately make some investment in some IT for the state. Because we are very, very behind when it comes to licensing and permitting. And of course, DEP and DOT were cited as the two most difficult agencies to get anything done.

So, that was another rec -- set of recommendations. And I think that result -- you know, the Governor's office is already working on these lien processes. And their borrowing that from the industry. So there is some activity around that as well.

But those are the two things that came out in our deliberations.

SENATOR FRANTZ: Thank you very much. I appreciate that. And we'll all look forward to working together on this going forward.

Thank you.
Thank you, Mr. Chairman.

SENATOR LOONEY: Senator Frantz, I just wanted to comment. And I -- I think there was one other major area and that was energy.

REP. MERRILL: Yes.

SENATOR LOONEY: That we talked about. The high cost.

REP. MERRILL: Absolutely.

SENATOR LOONEY: And as Mr. Chairman, if I might -- you're exactly right. That came out. We had conversations with Representatives of CBIA and others who came to testify before the -- the panel. And one of the interesting points that they mentioned was that in many cases they acknowledge that -- that in some cases, the actual cost -- of level of taxes in Connecticut was not all that high.

But what did provide a great deal of difficulty was the high energy cost in some cases. So that -- that was actually one of the reasons that they gave for saying that Connecticut needed to address it's tax climate because if it -- if it wasn't able to get a handle on energy costs, we were going to have to do it on the tax side instead.

That was -- but it was -- it seemed to be that they were looking at it in terms of the overall cost of business. And that was an energy cost was obviously one of the things that seemed to rest strongly in the minds of many -- of many business organizations.

But as Representative Merrill said in terms of

transportation, we've -- this is an issue that -- that really is has reached crisis before us in Connecticut. That we have to get a handle on. Going back to the creation of the transportation strategies board, when there was a report at that time, that said Connecticut was endangered of becoming an economic cul de sac, that has certainly continues to be true.

And just as a lawyer who practices in -- in New Haven, one of the consequences of that is that I know that there are a large number of attorneys now in the Greater New Haven area who no longer take cases that would require them to go to Norwalk or Stamford because they just can't predict how long it will take them to get there and get back.

And you can't predict whether you'll be there in time for a short calendar argument at a certain time and how long that might take. That may -- you know, for the bar in Stamford and Norwalk that might be good because they don't have as much competition from the bar in New Haven anymore.

But -- but in terms of overall flow of business around the state, it's probably not good. And that's -- that's just another -- another practical aspect of what we're seeing.

REP. BERGER: Okay. Well thank you for your testimony. And we look forward to working with you as a committee and leadership as we go forward with this. So thank you.

REP. MERRILL: Thank you.

SENATOR LOONEY: Thank you.

REP. BERGER: Okay.

on. And it was made a good bill because you in the legislature had the foresight to get rid of this section. It's been reintroduced here. And I think that this committee needs to show the leadership to strike it again.

I thank you very much for your time. And I apologize for having gone over.

REP. BERGER: Okay, Mr. Hoffman.

Thank you for your comments on Section 1.

We'll review that. And also thank you for your -- for your time and commitment on the task force, which was a volunteer time on your part. And you did some great work there. And appreciate your time and commitment there. And helping this committee as well as the General Assembly to move forward important changes in the last three or four years.

But we will look at Section 1 and we will probably be back in touch with you on some recommendations for making it workable.

LEE HOFFMAN: Thank you very much, Mr. Chairman.

REP. BERGER: You're welcome.

Any questions from committee members?

Okay. Thank you.

Bonnie Stewart.

BONNIE STEWART: Good afternoon. My name is Bonnie Stewart. And I'm Vice President of the Connecticut Business and Industry Association. I'm here today to comment on two measures currently before the committee. The first is Raised Bill 5438. And this bill calls for a

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study to be done to look at whether or not it would help Connecticut if we were to eliminate the corporation business tax.

I would encourage you to move forward with this measure because several states have done this. One of the states that did eliminate their corporation business tax was Delaware. And we know how many corporate headquarters are located there. But several others have had -- have as well.

So I think that it would be very helpful to look in further -- to further extend -- to determine whether or not there are any modifications we could make in Connecticut's tax policies to encourage an incentive companies to locate in Connecticut.

The next measure that I'd like to comment on today is House Bill 5435. Heard a lot of discussion about this measure earlier. And there's a lot of great things in this measure. In encouraging innovation is something we clearly we want to do in Connecticut.

The measures in here regarding pre seed money and angel dollars, venture money, all good ideas. I would just suggest that you modify those sections slightly to give Connecticut Innovations Inc. the ability to run those programs or give them the option if they so choose to farm out instead of mandating they do the way it is under this current bill.

Another great thing in the measure, is the small business innovation research funds that we've got going on here. That's a great tool for Connecticut businesses and something we should take advantage of. So we appreciate that.

Just to comment earlier on the export bill, that same bill, all those measures are included in this -- this measure. And we appreciate those as well as the marketing campaigns. Something Connecticut hasn't done for a long time. And something that's sorely missing.

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On the job tax credit fund, we really appreciate the fact that you're acknowledging that there are so many small businesses that are not sea corps. And therefore allowing past due entities to take advantage of the credit would be definitely a plus for Connecticut. However, we've said before that we don't think that capping or having a first come first serve basis for any type of tax credits are the right way to go.

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Because predictability and consistency are key when it comes to making any type of investment decision. And when you have measures that are either capped or do first come first serve, that consistency or predictability is completely removed. And therefore significantly diminishes the positive aspects they measure.

In addition to that, on the angel credit, we are working with the program review and investigations committee on theirs. They've asked us for a modified language. Because theirs has something similar where they have a cap. And then they actually lower how much money is available for that type of tax credit. And sub set it.

And when the investment in this type of venture is for significant period of time. It's not one years. It's not two years. It's not three, but you're talking usually at least ten years. You don't want to put the money in and then see your credit disappear afterwards.

People will find other states to invest in.

So we encourage you to also modify this measure so that you don't have the cap or the sub set. The last thing in the measure that we really appreciate is the efforts to do government streamlining. The way that it's written in this measure, you're basically saying do it with everything.

And that's a major task. So we would encourage you to work with the results based accounting sub committee of the Appropriations Committee. And prioritize pieces that can be worked on. Because we think that's a great -- a great piece in here. And something that's very worth while. But it can be overwhelming if the -- the area they're given is too large to -- to start with.

Two things that aren't in here that we'd love to see added would be your efforts earlier regarding regulatory reform. And some of the tax measures to encourage investment in this state. And otherwise, like I said, we're very supportive. We'd like to see some modifications and additions.

REP. BERGER: Okay.

Thank you, Bonnie, for your testimony.

Senator LeBeau.

SENATOR LEBEAU: Just a few -- you mentioned regulatory reform. That's -- that's in a couple of other bills that we already heard. So, we'll -- we'll be looking at that.

Okay. I got your point. Kind of put it all under one. If this is going to be a major aircraft carrier.

BONNIE STEWART: And that's one when there's a lot of momentum now. So why not take advantage of it. Because that's one place where we do see a lot of economic opportunities being lost. So, if we're talking jobs, that's a great place to -- the things that you're working on already would be an excellent addition this measure.

SENATOR LEBEAU: Thank you.

REP. BERGER: Chris Phelps followed by Ryan Brennan.

CHRISTOPHER PHELPS: Good afternoon, Representative Berger and Senator LeBeau and members of the committee. I'm Christopher Phelps, Director of Environment to Connecticut. We are a member supported non profit environmental advocacy organization in Connecticut. And I've submitted testimony in support of two of the bills on your agenda today, House Bill 5435 as well as House Bill 5440. And I'll briefly touch on my testimony on both of those.

We strongly support the provisions of the Act 5435, in Concerning that Majority Leaders Roundtable -- Job Growth Roundtable. We submitted testimony on it. And particularly speaking to something, I think it was Senator LeBeau who brought up a little while ago regarding some of the recommendations that came out of that roundtable report related to job growth and economic growth in the clean energy realm in particular.

We've submitted some specific comments in that area in regards to incentives to grow job creation in renewable energy, fuel cells, solar and other renewable that are based in Connecticut. One of the key elements that we look at in this area, which is what we can do as a state to incentivize the growth in

technologies that provide renewable energy here in Connecticut, based here in Connecticut that there is also focused on jobs that are based here in Connecticut.

And so we talk about some of the solar and also some of the fuel cell elements of that. Solar's financing mechanisms, the municipal level in particular, to help home owners, and small businesses, and entrepreneurs and municipalities access low cost revolving loan funds through what's called a property assessed clean energy model.

Which is really growing like wild fire around the country as well. Lastly we talk a little bit about virtual net maturing programs. And the idea of allowing facilities in neighborhoods, geographic neighborhoods around the state, that individual facilities that don't necessarily have good resources to install renewable systems developed in this state.

But that could take advantage of the systems installed in the neighborhood. And effectively share the generation from it as a way to help incentivize growth in these industries in this state.

The second bill, I'll turn to, is just 5540, Concerning Electric Vehicle Infrastructure. We've worked on electric vehicle issues that environment Connecticut into our national federation of America for many years. And of course, this is an important emerging area in the next couple years, as we see wide spread commercial availability of electric vehicles become common place around the state, around the country.

I gave you a specific comments on two sections

Thank you.

CHRISTOPHER PHELPS: Thank you.

REP. BERGER: Ryan Brennan followed by Ed Murth.

RYAN BRENNAN: Thank you, Mr. Chairman, members of the committee. My name is Ryan Brennan with Advantage Capital Partners. We're a national venture capital firm. I'm actually based in California. But we do not currently invest in the State of Connecticut. House Bill 5435 has us interested in doing so.

As you may know, right now the number one -- the number one issue for small businesses across the country, especially here in Connecticut, is access to capital. CNN, Wall Street Journal, stories of companies that are truly ready to hire and expand and come out with new products but do not have the capital to do so.

These start ups really are the equivalent of the shovel ready projects. The people that are ready to make an impact today with capital that's available. There's capital out there but it is concentrated in Boston and in Silicone Valley and often is Austin, Texas.

Unfortunately, not in the State of Connecticut. Connecticut currently ranks 22nd in the United States in the amount of venture capital available that is currently ties with the State of Indiana. House Bill 5435 includes a measure that is modeled after what more than 20 states do to attract venture capital.

A key part of these companies growing as they get bigger. In this bill is angel investment, an incentive there precede and then venture capitals where these companies can go from 15

to 1,000 to 5,000 employees. As of today, 141,000 employees in the State of Connecticut are employed by venture backed companies.

That's a key part of growing entrepreneurs and their start ups. Section 12 of the bill repurchases -- realigns the insurance reinvestment fund tax credit into a tax credit for new venture capital firms that would start in Connecticut. And then invest that money in a rapid pace. Invest in targeted industries, 25 percent going to clean technology.

Again with the tax credits backloaded and jobs coming in upfront. There are two provisions that really change this section 12 from the previous program. One is that once any of these funds -- any of the six, to eight or ten that may start here, were given an ability to invest. They have to raise that money within five days. Again and putting it to work quickly in the economy.

Thus, the job creation stimulus. The second piece is that when you apply to be certified as one of the new six, eight, ten funds, you have to commit to a number of jobs that your portfolio company's will create. At the end of the fund, that job creation is tallied. And if you didn't hit it there are penalties to the fund.

You have to pay a portion of your profits back to the State of Connecticut if you don't hit the job creation totals that you put in place. I've seen these programs for 15 plus years. There are more than 30 states that do something for venture capital. We're very excited about this provision and hope that it becomes law and we look forward to hopefully doing business in Connecticut.

With that, Mr. Chairman, I'd be happy to answer any questions.

REP. BERGER: Thank you, Mr. Brennan.

And thank you for helping out with your expertise on this issue and helping us move this forward. I see that there's not a written testimony here that I have. But it'd be very helpful if -- when you're through with your testimony and or questions from committee members, if you could see the clerk and maybe you can email her these points so we have them when we screen and we need to make changes or recommendations.

RYAN BRENNAN: Yes, sir.

REP. BERGER: Okay, so thank you.

Any questions from committee members?

Yes, Senator Frantz.

SENATOR FRANTZ: Ryan, thanks so much for coming all the way across country to see us in Connecticut. It's a long way. I know that trip very well. The question for you is this, we completely understand the attraction of the provisions of this bill before us. What else would you say to all of us in Connecticut in terms of the environment for seed capital and venture capital that goes beyond incentives?

RYAN BRENNAN: And -- and thank you for your question. Frankly, there's really no incentive that would get us to come to a market that isn't a good market. Connecticut has this, in our opinion, very interesting scenario where we see start ups. We see fantastic companies coming out of your research institutions.

We see those deals in our Missouri office, our New York office, our Washington D.C. office, our California office. We are surprised often that there aren't more local investors. So from our research, those are places that become very interesting to us.

As where do you see the quality of start up? Where do you see companies moving from? I'm sorry to say that. But when we see companies willing to move to our upstate New York office from Connecticut, it means there's not enough capital locally. And that's an indicator one through five for us.

There are good deals. There are good companies and there are some sources of later stage capital. When the company needs ten to \$20 million, we have seen that be available in the State of Connecticut. When a company needs a million or two million, that's the hardest money for them to find and they're moving.

So for us, that market in -- in addition to the incentives that would help us -- and really open an office and attract investors here for the first time. That becomes very attractive.

SENATOR FRANTZ: It's very interesting because in various pockets throughout the small State of Connecticut, there are inordinate amounts of capital that are devoted to venture in the most general sense, ranging all the way from seed capital to more mature venture capital investing.

But it doesn't stay here. It's not matched up for some reason with the opportunities here. That to me smells of opportunity and you're addressing that. But it's one of those things that we need to -- to think about. And maybe if you have any additional observations as to

why that might be the case.

Is it that Connecticut just doesn't have the environment that -- as you know, is conducive to taking a newer idea, newer concept and allowing it to grow. And ultimately thrive. Is there some sort of disconnect there?

RYAN BRENNAN: I'd be surprised if that data exists. Because of what I've seen from the National Venture Capital Association. And they'll show that as to the 141,000 jobs, there's currently 39 billion in revenue from venture backed companies that reside in the State of Connecticut today.

So it has happened before. Some of your major economic contributors in the state are venture backed. Our market is inefficient. There's no other way to say it. Venture capital is lumpy. It's really -- it is in Silicone Valley. It is in Boston. It is in Austin, Texas.

This is I think why you see 30 plus states being aggressive at trying to make their states sticky. Trying to make, so when these companies are educated from kindergarten to the end of their four year college university and maybe further, that they do stay.

States rarely address \$5 million and up that's a round. That they can make them stay, plant or keep roots for those first hand four years and stages of development. That's when you see the mediocre job rise.

SENATOR FRANTZ: Yes, it strikes me this is a good bill, a great concept. But there are other steps that we can take to make sure that our -- our venture universe is better taken care of.

Thank you again, very much.

RYAN BRENNAN: Thank you, Senator.

SENATOR FRANTZ: Mr. Chairman.

REP. BERGER: Thank you, Senator.

Representative Perone.

REP. PERONE: Thank you, Mr. Chairman.

Thank you for your testimony. My -- my concern comes -- comes from the standpoint of -- of the rest of the state in terms of what sort of controls are other -- other states have -- have used as -- as states have gotten better at understanding a the potential and b frankly the -- the risk of -- of -- of exposing their -- their assets in this way.

So really what -- what have states done to control the -- the -- the risk of -- of making sure that -- not the risk of, but make sure that the companies are, you know, well bedded and --

RYAN BRENNAN: Sure.

REP. PERONE: -- that kind of thing?

RYAN BRENNAN: Thank you, Representative.

I see two things in this bill that really speak to that oversight. And maybe even more so than we've ever seen in another state. One is upfront. It's the process of vetting me and my competitors. What's the track record? What have they done before? What has been their ability to take that company from five to 500?

I think it really does start with the front side vetting. In this bill, that's a very prescribed process. In addition to not just

saying we can make a return on our dollar. But what is your job creation experience been. That's unique. I've not seen that expectation from a state before.

And then on the back end, at the end of the life of the fund, each fund has to look back and say did we create the number of jobs we committed to. That's one. Did we invest according to the law? And if not, tax credits are at risk.

And in the case of job creation, you can be forced to pay up to 20 percent of all of your profits. Writing a check back to the State of Connecticut if you didn't create the jobs that you committed to. That's some of the most strict oversight I've seen in any of these programs.

REP. PERONE: Okay.

Thank you very much. Appreciate your testimony.

RYAN BRENNAN: Sure. Thank you.

REP. BERGER: Well, thank you for your testimony.

RYAN BRENNAN: Thank you, Mr. Chairman.

REP. BERGER: Okay.

Ed Murth followed by Eric Brown.

ED MURTH: Senator LeBeau, Representative Berger, members of the committee, thank you for the opportunity to testify today. As with Mr. Ryan I'll be submitting written testimony afterward. About 15 years ago, I was on a trip to Washington -- I've been there since. But in one of my trips to Washington, I had an

occasion to go through the Museum of American History.

And I was taken with a number of exhibits there that were inventions from Connecticut. Going way back and up to bike riders and all kinds of weapons to the space suits and -- I was struck by that because I said you know they -- there's been a different kind of trend line for such a long time.

I was -- it would be nice to have the kids of Connecticut see what went before and be inspired by it. And so when Denise -- Representative Merrill asked me to be on the committee I was delighted to try to help. I think this legislation, H.B. 5435 is -- it's timely. It's focused. It's innovative. And it's necessary.

I -- the -- Mr. Ryan and others who will be -- have talked and will talk about the need to encourage angel and other kinds of investment in the state. The encouraging of more exports. It is much bigger than people -- most people would imagine for Connecticut. But that's a real source of wealth creation for the state and the people who live here.

I would like to point to the fact that this morning there was an announcement at the health center, with Governor Rell and others proposing a major investment in the health center. Which is one of the parts of this bill. Also, as a cautionary there is a very nice part of this bill which -- which would have tuition waivers for people wanting to go to college for up to two years or -- or certificate courses in fields where job training is to be encouraged.

And it says that the waiver would be paid back if an individual doesn't complete a degree in

four years. I have -- most people do not complete their degrees. Especially in engineering in four years. And so that could be a mouse trap of some sort. And I'd like to be sure that -- that people aren't caught up in that.

And while they're making good progress, they're all of a sudden wind up having the waiver eliminated because they didn't finish on time. And also, that it does not become a -- it says that up to 2 1/2 percent of the tuition fund would be reimbursed to the colleges, the public colleges and the university.

And I'd like to encourage you to be sure that this doesn't become sort of a back bill or drain on the universities funding from the state on the guise of doing something very good but have it turn out to be at the expense of the -- the institution.

Because it is -- well, you know the story about how tight things are right now. The -- one other point which I in my limited time here, I'd like to mention that -- is to be encouraged is the technology transfer.

A much -- a much better job that came in out testimony before the hearing -- hearings that we had between the colleges and University of Connecticut, and Yale and others to be able to have a system so that not all silos of information but a better way of transferring information to work with the economic development that this bill seeks to encourage.

Other than that it's been a perfect piece of work. I'm glad to participate and I'll take any questions.

REP. BERGER: Thank you, Mr. Murth. Thank you for

your commitment to the Job Roundtable.

Senator LeBeau.

SENATOR LEBEAU: I'm sorry. Did you have written testimony?

ED MURTH: On the outset I said. I'd be submitting it.

SENATOR LEBEAU: I'm sorry, I walked in --

ED MURTH: I will be following it up with written testimony.

SENATOR LEBEAU: Great. Because I'd like to see that. I'd like to also hear a little bit more about tech transfer and whether we kind of let things --

ED MURTH: Right. You can't speak on it all in three minutes. But --

SENATOR LEBEAU: I know that. But if we -- you might be able to do that some specific recommendations.

ED MURTH: Yes, I will. And I'll get right down on that.

SENATOR LEBEAU: Any written testimony you got.

ED MURTH: Yes, I will.

SENATOR LEBEAU: Okay. Thank you very much.

REP. BERGER: Yes, Representative.

REP. HORNISH: Thank you, Mr. Chairman.

You had mentioned for your sea salt --
shouldn't -- there shouldn't be a limitation on

the time a student needs to complete a degree?
How long would you propose to give?

ED MURTH: I don't know. But I think that's something that people at the university would have to -- or other, you know, institutions would have to comment on. A normal -- I've been told that a normal degree in engineering time is six years. And if somebody's making good progress on it, chances are we'd be talking about people who may need to get some other income.

Meaning, work part time, which, you know, could affect it as well. So, I think there -- there are easily developed mechanism for monitoring progress to determine maybe on a sliding scale, the repayments. So that if somebody just blows it off, you know, they have to repay it all, but they -- it's only making consistent progress that there could be some -- some development on here that would be a fail safe protection for the state as part of their investment in their jobs and careers.

REP. HORNISH: So -- so will -- will you be able to provide information regarding the time -- the average time it takes for example, an engineer?

ED MURTH: Yes. I can give you what it is at UCONN at least. I represent the faculty there. And I could -- I could turn that out. The other places and schools, I'm not so sure. But I would think that would be the toughest part.

REP. HORNISH: Whatever you can get, that'd be great.

ED MURTH: Okay.

REP. HORNISH: Thank you very much.

Thank you, Mr. Chairman.

REP. BERGER: Thank you Representative Hornish.

Thank you for your testimony.

ED MURTH: Thank you.

REP. BERGER: Eric Brown.

ERIC BROWN: Good afternoon Chairman Berger, Chairman LeBeau, distinguished members of the Commerce Committee. My name is Eric Brown, with the Connecticut Business and Industry Association. I'm here to provide testimony on House Bill 5436. Which I hope you have my written testimony for.

I apologize for bringing that to the -- to the staff late. I basically wanted to do a couple things. First of all, as others have said, express our deep appreciation of the committee for continuing to focus on this very important issue of Brownfield remediation. If it were not for -- for the drive that you folks have shown for this issue, I'm not sure where we'd be in this state.

So we do deeply appreciate that. I guess what I would probably do in the vernacular of the legislature is attach my comments to those of Mr. Hoffman earlier. He knows more about Brownfield. He can speak more eloquently than I ever will be able to.

But what can I -- what I say is I did distribute this bill and have a conference call with several member companies who are deeply involved in Brownfield remediation in the state and heard very overwhelming overture of concern with respect to section 1.

(inaudible) I think touched on a lot of those things. What I've put on just based -- basically listed in a very informal way, some comments that I heard on our conference calls late yesterday afternoon. And perhaps as discussions go forward with trying to modify the bill -- I mean that might provide some guidance or even a check list perhaps of some issues that folks feel -- at least our folks feel that need to be addressed as we go through that effort.

So, I think I'll end my comments there. Again thank you for continuing to push this issue. Thank you again for your efforts on regulatory reform. And I'm happy to try and answer any questions I can for you at this time.

REP. BERGER: Okay. Thank you, Eric.

Will -- more than likely I'll be reaching out to you as we've done in the past. So, we'll get in my office and work on some of these issues and that deal with the Brownfield in Section 1. And hopefully be able to reach some form of compromise to get a document out other than the finance portion of Brownfield's which -- which I believe we'll be hearing on next week.

So thank you for your testimony.

Any comments? Or questions from committee members?

Thank you.

ERIC BROWN: Thank you.

REP. BERGER: Martin Mador.

MARTIN MADOR: Good afternoon, members of the

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committee. I'm Martin Mador. I'm the legislative chair for the Connecticut Sierra Club. I'm also the legislative co-chair of the Connecticut Foundation for Environmentally Safe Schools, which has been working on issues of the quality of school facilities for about eight years now.

I thank you folks for raising the -- the roundtable bill, 5435. I'm not ex -- business expert. But I see the value in this. I think it's a great bill. And I want to address my remarks to Section 10 of that bill.

The intent of the bill, is to say that if a school -- if a school district does not want to completely rebuild a school, maybe does not have the money to do a complete renovation of the building. They may decide to simply to upgrade the mechanicals of the building.

What this bill would do is make those upgrades eligible for state reimbursement. This is a great idea that we've been proposing for a while. And the context of this committee, what this would do would be to create green jobs. Because the upgrade -- if done according to the standards would increase the energy and efficiency of the building.

Would address other green building elements according to the -- the regulations for doing green schools that OPM finished last year. So, this bill would be a -- it is definitely a job spill. That would create jobs which would go towards these -- towards these green principles.

The idea of the concept has a lot of benefits for a school district. Increasing the efficiency of the mechanical equipment, is going to save the district money. It's going

to lower their energy expenses. If they're overhauling the ventilation system in the building, the increased ventilation rates are going to improve the indoor air quality in the building for the students and the teachers.

It may help remediate a mold issue. Because that increased ventilation's going to provide more air flow that will -- that will reduce the -- the -- say the humidity from contamination of the building.

So, some of these issues are perhaps more for the education committee than for you folks. But I did want to come testify that I think it's a great bill. I think there's a very worthy section of the bill. It does need some tweaking of the language so that the intent and the operation is clear.

And we'd be pleased to work with the committee to help get it right. But we hardly endorse Section 10 of this bill. So, thank you.

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

Any comments?

Senator LeBeau.

SENATOR LEBEAU: Just -- just a comment, Mr. Mador. Thank you for coming in today. And -- and you'll note that it's not just a -- a replacement for renovation extension, et cetera. It's a -- when the primary purpose is for energy efficiency improvements. And that -- I'm sure you -- you understand that.

And that's -- that's what makes it a green jobs bill.

MARTIN MADOR: And that's fine because in doing

this, the districts are going to save money. Along the way, we'll actually create a healthier building for the occupants as well as increasing the energy efficiency and saving money. So really everybody wins here.

SENATOR LEBEAU: Okay. Thank you very much.

REP. BERGER: Okay.

Questions from the committee?

Representative Hornish.

REP. HORNISH: Thank you, Mr. Chairman.

What you mentioned -- you felt there was some tweaking that needed to be needed. What would you suggest?

MARTIN MADOR: Well, we want to make sure the language is absolutely clear that the intent of -- of the language is to say that a district that's going to do these energy efficiency improvements. And improvements along the lines of the green schools section which is actually cited by Section number in the bill, that that's the purpose of this.

That these projects will then become eligible. And the same reimbursement schedule as say a new construction would be.

REP. HORNISH: Okay.

MARTIN MADOR: And we also want to make sure that it's crystal clear what the standards are for doing this. So if the districts are going to be eligible for -- for -- for the state money to do this, it's clear that they really, absolutely have to adhere to the state standards for the energy efficiency and the

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other green issues that -- that are called for in -- in building a school from scratch.

REP. HORNISH: Okay. Thank you. I'm assuming I'll have to read that section, 15a-30k, but I'm assuming that's what it's referring to?

MARTIN MADOR: Yes.

REP. HORNISH: Okay. Thank you very much.

MARTIN MADOR: Exactly.

REP. HORNISH: Thank you, Mr. Chairman.

REP. BERGER: Thank you, Representative Hornish.

Any other questions?

Thank you for your testimony.

MARTIN MADOR: Thank you.

REP. BERGER: Charles Rothenberger, please.

CHARLES ROTHENBERGER: Good afternoon, I'm Charles Rothenberger, Staff Attorney with Connecticut Fund for the Environment. CFE strongly supports House Bill 5435, AN ACT CONCERNING THE RECOMMENDATIONS OF THE MAJORITY LEADERS' JOB GROWTH ROUNDTABLE. This bill implements many of the recommendations that came out of that process to support and incentivize jobs in Connecticut, including measures establishing pre seed funding and supporting angel investors.

We commend the majority leaders, Merrill and Looney and Chairman Berger and LeBeau and all the members of this committee for taking seriously the issue of job growth this session. The job growth roundtable included

participation by a number of stakeholders and provided extensive recommendations for putting Connecticut residents back to work and jump-starting Connecticut's economy through clean energy and green economy jobs.

And this particular bill focuses on many of the recommendations regarding innovation and entrepreneurship. Clearly, with an unemployment of 8 and a half percent here in Connecticut, jobs have -- have to be our first priority. In particular, good jobs that are relevant to today's economy and those are really green jobs. CFE is part of the green jobs coalition.

A broad coalition of stakeholders from clean energy businesses, other business representatives, environmental advocates and others. And this coalition has worked with and strongly supports the majority leaders' roundtable and the report, and the measures implementing it.

In addition to the measures promoted in this specific bill, I just like to emphasize that there are also recommendations that the state increase it's investment in renewable energy and energy efficient and clean water, transit, sustainable forestry, and workforce training.

And while these measures are contained in other bills that are being raised by other committees, we hope that those measures as well as those incorporated into this bill will move forward and be supported by the legislature.

We provided some facts and figures related to the economic and job benefits in several of these areas, energy efficiency, clean land and water investments, transportation and workforce development. In the interest of time, I won't

go through them, but they're in my written testimony.

For all of these reasons, again, we support House Bill 5435 and would ask the legislature to implement these -- and all the measures that came out of the majority leaders roundtable. Thank you.

REP. BERGER: Thank you for your testimony.

Questions from committee members?

Thank you.

CHARLES ROTHENBERGER: Thank you.

REP. BERGER: Matt Nemerson.

MATTHEW NEMERSON: Good afternoon. So many bills, so little time. But since we already have a Connecticut Fund for the Environment and CBIA supporting measure SB 5435, let me say that clearly there's -- there's a great consensus out there that we need to do something about creating an innovation ecosystem. And I think this bill is a good starting point.

I submitted testimony. So I'm not going to read it. But I just want to remind everybody that we sort have been here I think four years talking about many of these things. Five years. And this committee has always supported many of the things that are here. And so it's -- it's still wonderful that we're still at it.

And that we've added the support of the majority leaders of both the House and the Senate and all of the work that went into the roundtable which was really a great opportunity to -- to think through some systemic ways to approach this.

Our hope from the technology community, is that we can still add conversations between the Legislature and the Administration because clearly any kind of reorganization is going to require people on both sides of that sort of divide. Instead of thinking about how to do these things operationally as well as from a policy standpoint.

Also, just to sort of reflect back on testimony that we heard already. You know, in fact the issue of the cul-de-sac referred not to Connecticut so much, but to actually what was happening in Boston.

And the fact that New England is in this together. And so I think when we think about ecosystems and transportation and things like that, Connecticut really is marching along with New York, with Boston, both from a capital formation standpoint, from a whole innovation ecosystem standpoint.

And as the cul-de-sac reference actually talked about is if Boston Harbor doesn't develop properly than all transportation connections with Europe may move up to Halifax, which in fact sadly is beginning to happen. So that was really what that reference was.

The other reference I that I thought was interesting today was just talking about the Windham Mills and the sort of great history of Willimantic. And -- and even though one can debate how much has been invested and should be invested, what it really tells us is that a factory that was one of the greatest creators of wealth in the 19th century, you know, right now is the historic relic.

And so I think when we think about the

importance of innovation and the importance of creating systems, it's really about learning the lessons of Willimantic. And learning the lessons of -- of transportation connections that Willimantic didn't really refine. And the whole issue of where our innovation goes.

And whether that thread technology should have been moved 100 years ago to more central places within the state so we wouldn't lose the international connections that we had in that industry. But wouldn't seek keep investing in the same sort of factory that -- that really didn't have a future there for a variety of reasons.

So I think that what we've learned and we've heard is that there are so many companies that are being created in Connecticut Universities and in Connecticut industry that want to be created. That want to stay here. But just are not able competitively to satisfy the needs of their management and their investors to be part of the ecosystem that Boston has created, that California's created.

And you'll hear from angels in just a second. The angel investor group about some of the specifics that we have to do. It's really up to us to make Connecticut competitive. And I think we can look at the example of Windham to say that there is great penalty for not doing the right thing.

And when we look back 100 years from now, we want to make sure that we created an ecosystem that worked for our children and our grandchildren. And -- and we want to you know, have that -- that future be about innovation. And to be about technology. We have to think about things in a way that we share our information and are globally competitive.

Thank you.

REP. BERGER: Thank you, Matt.

Any questions from committee members?

Representative Perone. I'm sorry.

Representative Perone.

REP. PERONE: Thank you, Mr. Chair.

Thank you, Mr. Nemerson and -- and appreciate all your hard work on the -- on the roundtable. Something that came up and -- and -- in Representative Merrill's comments earlier was keeping -- keeping this initiative going. And as generally the concept -- and I was wondering if you had any thoughts about ways that Connecticut can take advantage of, you know, what's been started here.

And -- and -- and promote that and support it going forward.

MATTHEW NEMERSON: Absolutely, Representative Perone.

As you know, we were -- we served on that roundtable together. And as you remember, my opening comments at the very first meeting of the roundtable was that the most important thing probably is for us to analyze what we've done well and what we've done badly. Both in our own policies and our own programs. And just in terms of what companies we have and what companies we don't have.

And so I think that the most important thing for any sort of policy review or any policy program is to make sure that we build into it the ability to have honest, sort of hands off

-- in other words, no agency capture. No sort of, we have to say this is good because it will help our political future, on either side.

You know, of the political round -- that we have say that economic growth when we're globally competitive. We're not just competing with Springfield. We're not just competing with Rhode Island. We're competing with China, and India and Singapore. And they're doing this very seriously.

And they're putting best minds and billions of dollars. And they have hundreds of thousands, if not millions of people just thinking about economic competitiveness. And here we have 12 interesting people at a roundtable. And so it was a start, absolutely. And I'm sure we could take on the thousands doing it in China.

But -- but the point is that it's honesty. It's collecting the data. It's analyzing what works and what doesn't work. Listening to people who are part of the global capital markets. Because we have many angels here. We have many of these seeds who invest outside of the state.

Why do they do that? Asking our top corporations. You know, I think we've heard before, you know, what are those issues? Is it transportation? Is it land use policy? Is it electricity cost? We have many global corporations here.

And sometimes our approach to them is not sort of open and sort of what do we need to do to make Connecticut competitive. If you know, what do we have to do to sort of make sure you don't leave. And that may work in the short term, but it may not work in the long term.

So I think everything in this bill, is got to be subject to analysis, to sort of questioning, and having, you know, experts continuing to say, it worked six months ago. It may not work six months from now. Here's why. Here's what California did to their capital markets. Here's what Singapore's doing.

We have got to see ourselves as a little place in a big city and worry about the ways. And worry about staying on our little raft. But also making sure that our, you know, our raft is -- is growing and -- and (inaudible). But realized that -- that it's up to us to compete.

No one -- you know, I think 100 years ago, you know, we had advantages in terms of the railroads. We had advantages in terms of the Boston and New York capital that was sort of focused here and not other places. You know, we've obviously -- it's a much bigger ocean now than it was then.

So I -- I think -- I think a policy and a concept of constant analysis and honest sort of vigilance about what's working and what isn't working. And are willing to -- willingness to change in cycles of sort of information is important.

REP. PERONE: Okay. Thank you very much.

REP. BERGER: Thank you, Representative.

Any other comments or questions?

Senator LeBeau.

SENATOR LEBEAU: I just wanted to thank Mr. Nemerson for all his work over the years. And for his guidance on some of these key principles of economic growth.

MATTHEW NEMERSON: My pleasure and my honor.

REP. BERGER: Thank you Matt.

Natalie Real. Natalie Real.

Okay.

Mary Anne Rooke.

MARY ANNE ROOKE: Good afternoon, honorable chairs and members of the Commerce Committee. My name is Mary Anne Rooke and I'm the Managing Director for the Angel Investor Forum here in Connecticut. And for those of you that are not aware of what we do, we're a group of angel investors that have come together in 2004. And since I last spoke with you last week, we've even grown by one.

So as of today we have another new member. So we are a growing group. We are -- we just came back last night and today from our meetings where we saw two companies, both Connecticut companies, and -- and we continue our work in helping companies grow and invest in them so that they can provide more jobs to Connecticut.

Realizing that we have some of the same folks around the table, I don't want to give you the whole same spiel that I gave you last week. But if you feel it's necessary, raise your hand. I can give you a little bit -- another perspective. We definitely -- now we have 53 members. And the beauty of this bill, 5435, is that it really does follow the simplicity and the alignment in the ways that angel investors operate.

Angel investing is an individual activity. The way our group works, we collectively put our

resources together so that we could evaluate to assess deals. Help the entrepreneur with opening up our network et cetera. And we do the due diligence together et cetera. Because we have a bunch of different expertise around the table of our 53 angels.

And then we individually open up our checkbooks. And so with the tax credit, it really does mirror the way that angels work. Angels are actively involved and they bring their expertise to the businesses in which they invest. They mention a management team which helps to propel the businesses forward.

They not only open up their checkbooks, but they open up their individual networks. And that helps to stabilize and grow the young companies. More angel defiance in Connecticut will really spur the emergence of more angel groups in Connecticut. And that's really what we want to do.

We want to follow the State of Wisconsin's example where they grew to 22 angel groups. And we have a couple now. And we -- and our group by far is the largest and most actively investing in deals. And we do want to continue to do that. And again if more angel investments are made in Connecticut, more companies will start.

This will create more jobs, will spur the Connecticut economy and keep our highly young educated folks here in Connecticut. Today we did see a company that was out of the UCONN incubator. And again, we do want to help these companies grow. And they will pay taxes and generate revenues for the State of Connecticut.

So in closing really, we want to encourage the angel community to grow. And this tax credit

and the side car fund which are in this bill would definitely help that process. So, thank you very much.

REP. BERGER: Thank you for your testimony.

Comments or questions from committee members?

Representative Perone.

REP. PERONE: Thank you. And just in case you were wondering every time a bell sounds an angel gets its wings.

MARY ANNE ROOKE: Yes. That's right. Thank you. We'll use that again.

REP. PERONE: I just -- I had a chance -- I had a chance to follow up with you -- the -- I had a chance to talk with you last week --

MARY ANNE ROOKE: Yes.

REP. PERONE: -- briefly after -- afterwards. And I was just -- and the question I had was, really in terms of structure, like the other states that have -- have, you know, active angel communities. How -- how have they actually been able to coordinate and help you know keep -- by organizing it -- it totally -- you make -- you make an (inaudible) like it's a lot more effective.

And I'm just wondering how other states have approached it. And how Connecticut might --

MARY ANNE ROOKE: Might look to do the same thing?

REP. PERONE: Yes.

MARY ANNE ROOKE: I think in the packet that I had provided there was a slide, and it would -- it

was Wisconsin's example, on slide number 16. They developed it called Wisconsin Angel Network. And part of that membership, are angel networks, angel in early stage funds, center funds and corporate strategic partners.

So basically, what that helped is to be one stop shopping, if you will. It really kept the deal flow organized so that there was an infrastructure in place to help that. And that way members had access to the deal flow pipeline. They have -- had really grown the number of angel groups in their state.

And members are listed on their website. So, it really does help to provide that structure. Now by having a side car fund also, that provides a small percentage of that fee helps to provide the costs in order to administer the fund as well as manage some of the angel works.

REP. PERONE: Thank you very much.

MARY ANNE ROOKE: You're welcome.

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

MARY ANNE ROOKE: All right.

REP. BERGER: Michael Nicastro.

MICHAEL NICASTRO: Hello again, Commerce Committee. Representative Berger, Senator LeBeau. Back again. Mike Nicastro, Chamber President of Central Connecticut Chamber of Commerce. Also an angel investor and a member of the angel board.

This time to talk a little bit about 5435. And maybe take a little bit different perspective when I was here last week. Talked a little

about my history in the past and having worked for open solutions, which was a great success story for Connecticut Innovations. And also for some of the angels invested in that in the early days.

But I think we can broaden that a little bit and talk a little bit more about some of the other -- we've had some other success stories here in this state based on investments by Connecticut Innovations. Which in some ways mirrors a side car type fund as well as our angels here in Connecticut.

And I think that's really important because working together they've collaborated on some very good investments, not only for companies but for the state. The important part for that is the jobs that they create and the funds that they create often give right back to the ranking file employees who are part of these early start companies.

Those turn into stock options. They turn into value. And that of course turns into tax revenues for the state. So there are many ancillary benefits for this event. Looking back on some of the success stories, we can -- we can see that they're spread very well across the state.

There's premise technologies over in Farmington, which is now a part of Eclipse. You also have Perimeter Internet Working, who is down in Wallingford. As far as angel investments, we've worked very closely with companies such as Apollo Solar of Bethel, Arbor Fuel of Farmington, Oil Purifications Systems of Waterbury and a company called Tube over in the Cheshire area.

And some of our recent investments are

Continuity Controlled in New Haven, a company that provides compliance technology and compliance solutions for the financial area and as well as another investment that's getting ready to close here shortly with sustainable real estate solutions, which is working in the green real estate management area.

Those all sound like great stories, and I say, well you know, it looks like the angels are really busy. Why do we have to encourage more? Well, looking at it as an investor and looking at it as we look at other states, that's anemic.

We need to find ways to encourage more. We've got to get more people engaged. We want to grow that angel investment from 53 to 106, maybe 153. And help grow the investments across the state. What we need is volume. And volume is important at this point in time. And a small investment by the state and to the credit and to the side car fund, can expedite the opportunity very quickly.

It gives us the chance at DIF to -- to work with our partners in the boutique investment firms, such as Lunch Capital in New Haven, and others. And work together along with other Connecticut based ECs to make a difference. And we could really quickly turn around some of our economic future here in the state.

We've got a track record of success with these angel investments and with CI. It's just not as big as it could be. And we've got to make the efforts and make the small investment to make it much larger.

That's all I have for you this afternoon. I'm willing to take any questions.

REP. BERGER: Okay, Mike, thanks for your testimony.

Any questions or comments?

Thank you.

Will Hill.

Okay. Is Mr. Hill here? Will Hill.

Joe DeMartino.

JOSEPH DEMARTINO: Good afternoon, members of the Commerced Committee. I'm Joe DeMartino and I'm President of the Angel Investor Forum here in Connecticut. My background and I won't recap what Mary Anne and Mike just said, so I'll keep this short. But, my background is -- is that I spent 35 or so years in the -- in the software business.

I was originally a Connecticut native, and moved out. Worked in California and the Boston area mostly. And moved back to Connecticut about 15 years ago. And still working up in Boston. But retired a few years ago from the software business and started getting involved here in Connecticut in angel investing.

And so over that period of time, I made several -- several different investments. Many of those in some of the companies that you just -- just heard about here. But I would say most of them are outside of the state. And -- and what I found is -- is that as we've -- we've worked -- as I've worked here in the state, the infrastructure and the support environment that -- that we're looking for often times kind of leads us in -- in other directions.

And so, as I've looked at it and -- and looked at what we're -- we're doing here with this

bill, it seems to me that we're trying to do is to provide incentives for angels to -- to invest here. We've got some really interesting good companies that -- that have come through.

And when our investors look at opportunity for Connecticut based companies versus others in the area, but -- well what's the -- what's the incentive for staying here versus looking at something else. And this bill I think goes a long way towards providing some of that incentive.

For those of you that, you know, and you've all heard about -- about the angel movement, we've been talking about it for a long time, but one of the things that's evolved over the last -- over the last few years, fairly dramatically is syndication.

Right now, when -- when angel -- angel deals come together, it's all about syndication. It's all about other groups working together to bring together the right amount of capital for a deal. And -- and that really has -- has grown especially within New England. And so we're looking to attract other investment dollars here as well as keep dollars here in the state.

So -- so what we're looking for with this is -- is really the opportunity to give our angel members you know the incentives to stay here in the state. Both through the investment tax credit and through the side car fund.

An awful lot of -- of opportunity for us with companies here we just saw a really interesting one yesterday and today coming out of the University of Connecticut for low flow power generation. Really interesting we had a bunch of interested members in that. That company is

also be courted by Rhode Island. And so, why are we excited to bring them here.

So, thank you for your time. I'll take any questions.

REP. BERGER: Thank you, Joe.

And questions?

Okay. Thank you.

Dave Pepin.

DAVID PEPIN: Sit down on the floor here. Thank you for the opportunity to address the committee. Chairman LeBeau and Chairman Berger. I did pass around a presentation that you have in front of you. And I'm going to focus it on page four of that presentation to save time.

Just as background, I am the Chairman and Founder of Next Generation Ventures. Which was one of the last seed funds in the State of Connecticut. We invested today. We've had some successful exits and look forward to doing more investing in the future.

The problem that this state faces -- by the way, I was also a member of the roundtable and found it fascinating. One of the problems that we face in this state is the capital gap, which is what you find on page four. And if you look at the green shaded area, it is where we have in the past of lacked capital.

A lot of money managed in the State of Connecticut especially in the south west portion of the state. But most of that money goes elsewhere, not invested in the state. I would suggest to you that this green area on this slide is also called a valley death.

Where many small companies, many start ups get off the ground and they can't get financed after they reach a certain stage. And it's something that I think that this bill, 5435, addresses. And I am totally supportive -- supportive of the bill. And would encourage it -- it's passage.

Maybe with modification, but I would encourage it's passage. I'm open to questions.

REP. BERGER: Thank you, Mr. Pepin.

Again well, before (inaudible) you're commitment on the jobs roundtable. And for the expertise that, you know, you have and have lent to us. Don't feel so bad that you had to work with legislators for three months on that committee. I'm sure it was an interesting eye opener for you.

DAVID PEPIN: The guy that's used to breaking china, it sometimes gets to be frustrating.

REP. BERGER: Thank you.

Senator LeBeau.

SENATOR LEBEAU: With remarks like Chris Perone's, it was a lot of fun.

DAVID PEPIN: Actually it was.

SENATOR LEBEAU: It was. I'd like to go to page four. Because you mentioned it. And I think it's really -- it really shows us something. The start up seed stage VC percentage of state VC 2005 investment. It's absolutely incredible. That -- so most of the -- now is this money from Connecticut? Or is this money that's nationwide?

DAVID PEPIN: It's nationwide.

SENATOR LEBEAU: And we had zero percent?

DAVID PEPIN: We had a little bit, but it's
basically round it --

SENATOR LEBEAU: When you round it -- when you round
it off it goes to zero?

DAVID PEPIN: Yes.

SENATOR LEBEAU: New York, our neighbor, at 30.7
percent. And here is the scary part, North
Carolina had 19 percent.

DAVID PEPIN: Correct.

SENATOR LEBEAU: So, and --

DAVID PEPIN: At least in 2005.

SENATOR LEBEAU: I would assume that they have some
of the -- some programs that are similar to
what we are proposing in this bill? Are you
aware of that?

DAVID PEPIN: Yes, I am. I did bring to the
attention of the House Majority Leader, the
experience in New York. There is an active I
would call hot bed of innovation, and activity,
and financing that comes out of Rensselaer.
And spreads to Albany and if you take a drive
up through there one of these days, you'll see
a lot of new innovative young companies that
are able to seek and find financing.

Where as in this case --

SENATOR LEBEAU: In the Albany area?

DAVID PEPIN: -- it doesn't happen. Yes.

SENATOR LEBEAU: In the Albany area?

DAVID PEPIN: Yes.

SENATOR LEBEAU: It's interesting. When you were going to say that, when you started saying New York and -- and before you finished the sentence and said Rensselaer and Albany, I thought you were going to say Manhattan. But that's -- it's a given --

DAVID PEPIN: It's pretty hard for start ups to survive in Manhattan.

SENATOR LEBEAU: The cost is too high. Right. But this is -- I mean it's something that I hope members of the -- members of the committee take a look at. It's very factual. Fact based and it shows that we're getting our -- we're getting really kicked around on this. And --

DAVID PEPIN: I --

SENATOR LEBEAU: It's time we got into this arena.

DAVID PEPIN: I put the presentation together in 2007 and been walking it around. I was going to update it and I found out that this story is even more depressing. So I decided to keep it in the 2005 numbers. So we've gone backwards when we were nowhere to begin.

SENATOR LEBEAU: I was going to say -- we went down from a rounding area of 0.0 to below zero. Thank you.

Thank you, David.

Okay.

Thank you very much.

Senator Frantz.

SENATOR FRANTZ: Thanks, Mr. Chairman.

And thanks for your testimony today. I'm -- I'm very curious about this disconnect. There's something missing here in this picture as it's been presented by many different witnesses today including yourself. There is a plethora of capital within the State of Connecticut, which seems to end up in other places as shown by studies and -- and it general opinions.

And yet there's a fair bit of money and interest that does come into Connecticut from the outside, relatively speaking, given our size. Yet, you look at, you know, the Route 128 area over the last 18, 20 or so years, and there's capital up there and it stays there.

So, what's the difference? Maybe can you tell us maybe subjectively if -- if nothing else --

DAVID PEPIN: I can do it objectively.

SENATOR FRANTZ: -- the data you can put it out -- put out there, but I'm still having a tough time coming to terms with it.

DAVID PEPIN: Well, if I understand what you'd said, Senator, the money in southwestern Connecticut, there's a lot of venture capital money invested in -- in -- invested out of southwest Connecticut, Fairfield County. The majority of that -- the vast majority of it, almost all of it, is invested outside of the State of Connecticut.

When you're staring companies as the angel

people know, and those people that do see financing is which -- did in the next generation venturists. It's hard work. You have to roll up your sleeves. You have to get involved. There are times when you have to assume the position of CEO or CFO in those companies as they progress.

And frankly, without stepping on anybody's toes, I hope, the people in the big investment firms, bigger BC firms, aren't willing to do that, that hard work. Not willing to put in the time and the effort to -- to bring these young companies up to where they need to be.

I'm really 39 years old. You know, this gray hair and -- and the way I look is -- is you know, caused by the effort that goes into early stage seed financing, angel investing, everything which needs to be addressed. So, the large money goes elsewhere. There are few people that will do this -- fill this capital gap because it's labor intensive.

And they don't want to do that.

SENATOR FRANTZ: Yes. I guess -- I guess I'm still having a tough time with it. Because we're a capitalism and especially the risk taking end of the venture capital spectrum -- on that spectrum, you would think that the capital would meet the opportunities and there would be a go between as efficient and as -- as competent as you've seen in some of these other areas that generate most of the attention, North Carolina, the triangle, Silicone Valley, 128 et cetera.

But we don't really have that critical mass resource energy here in Connecticut. And other than you. And maybe some others.

DAVID PEPIN: There are very few of us.

SENATOR FRANTZ: There aren't enough.

DAVID PEPIN: That's true.

SENATOR FRANTZ: And, you know, we're -- we're not as well known and -- and not as well received as well say Silicone Valley in the old days. I'd say it's more, you know, Route 128 is probably doing the best of all the different areas today.

And -- and then some nontraditional areas. So, you know, I'd love to see your -- your sector thrive to a much higher degree. And that's what I think this committee is going struggle with here. Is where is that -- that disconnect? Why is are we basing those conditions --

You've helped explain it. But I think we need to take it one step further. And hopefully we'll get to the bottom of -- of what those answers are.

DAVID PEPIN: Well the route -- the simple explanation is there is a capital gap. That's what the CLO space indicates. There's not enough money going into bridging start ups and making them into larger companies that then qualify for financing by the big guys down in southwestern Connecticut.

It's just not enough Capital. And under this bill I think, we have the opportunity -- the state has the opportunity to attract that capital. As far as the disconnect -- the disconnect is concerned, it is -- this gap -- it's called the valley of death and it's -- it started with the dot com bust.

When a lot of the bigger firms were putting money into start ups foolishly by the way. And then with this recession of 2008. And if you look at these large venture capital companies, they're just not investing a million bucks. They want to do 10, 20 or \$30 million in a -- in a -- one single investment.

And you don't put that amount of money into a start up company. You have to start out with what the seed investors, the angel investors can do and then pray that once they get to a point of needing expansion capital, that they can attract somebody somewhere to -- to make that -- that bridge for them, that capital bridge.

It was an example used in the roundtable, where a -- the company that was incubated in Storrs, did something with snake venom and I don't know -- I can't ever explain that.

Spider?

Okay.

Spiders. Anyway it was apparently a great idea. They couldn't find any money in the State of Connecticut because they were in this valley of death. So, they got money from the Michigan fund, state fund and now they're building their business in Kalamazoo, Michigan, believe it or not.

So there's this -- I mean, this -- this is a serious problem. And it needs to be fixed and addressed. And I believe that this bill starts to do that.

SENATOR FRANTZ: Okay. Thank you very much.

DAVID PEPIN: Did I --

SENATOR FRANTZ: Yes, you answered the question.
And that's -- that's exactly what you're
suppose to do.

DAVID PEPIN: If not, I'll be glad to talk to you.

SENATOR FRANTZ: Absolutely. Thank you very much.
I appreciate it.

Thank you, Mr. Chairman.

REP. BERGER: Thank you, Senator.

Thank you for your testimony.

DAVID PEPIN: You're welcome.

REP. BERGER: Anne Catino.

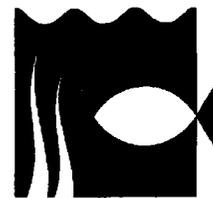
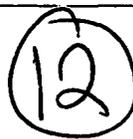
SENATOR LEBEAU: While Anne is coming up, and I'm
going to ask our last speaker to comment on
this, but I won't, Senator Frantz, I think it
may also -- you're talking about Route 128, I
think it may have something to do with the --
not only the financial side, but you got to --
I believe there's like 135 institutions of
higher education within a 40 mile radius of
Boston.

And we've got some great institutions. We
don't have that kind of proliferation. It's a
major -- the educational industry in
Connecticut is really one of the industries
that -- and that kind of I think feeds the --
we do have the valley of death. But I also
think there's -- we don't have the kinds of
proliferation and the networks that have been
around for so long.

That's part of it. Excuse me Anne for cutting
in.



**Connecticut Fund
for the Environment**



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Connecticut Fund for the Environment

Testimony of Connecticut Fund for the Environment Before the Commerce Committee

March 9, 2010

***STRONGLY SUPPORTING* House Bill 5435 AAC THE RECOMMENDATIONS OF THE
MAJORITY LEADERS' JOB GROWTH ROUNDTABLE**

Charles Rothenberger, Staff Attorney

Connecticut Fund for the Environment ("CFE") is a non-profit environmental organization with over 6,500 members statewide. For thirty years, CFE has used law, science and education protect and preserve Connecticut's natural resources.

Connecticut Fund for the Environment **STRONGLY SUPPORTS** House Bill 5435 that implements many of the recommendations of the Majority Leaders' Job Growth Round Table to support and incentivize jobs in Connecticut including measures establishing pre-seed funding and supporting angel investors.

We commend Majority Leaders Merrill and Looney, Chairmen Berger and LeBeau and members of this committee for seriously addressing the issue of job growth this session. The Majority Leaders' Job Growth Round Table included participation by a number of stakeholders and provided extensive recommendations for putting Connecticut residents back to work and jump starting Connecticut's economy through clean energy and green economy jobs. This particular bill focuses on many of the Report's recommendations regarding innovation and entrepreneurship.

With unemployment at 8.5% in Connecticut, priority number one is jobs -- and in particular, good jobs that are relevant to today's economy. CT Fund for the Environment is part of the Green Jobs Coalition that is a broad coalition of stakeholders from clean energy businesses, business representatives and others. The coalition strongly supports the Majority Leader's Roundtable Report and these measures implementing it.

In addition to the measures promoted in this bill, there were recommendations that the state increase its investment in renewable energy and energy efficiency, clean water, transit, sustainable forestry and workforce training. These measures are contained in other bills that are being raised by other committees.

We hope that the legislature will act this year to pass most if not all of the recommendations of the Majority Leaders' Report. Some of the job benefits that we believe would accrue from these measures are listed below.

Energy Efficiency and Renewables

Job and Economic Benefit: Every million dollars invested in energy efficiency programs creates an average of 41 jobs for electric, 45 for natural gas and 48 for oil and respectively contributes \$5.70, \$7.00 and \$7.10 to the state Gross State Product for every dollar invested. Using new program money in a way that attracts renewable energy technology manufacturers to the state would provide additional long-term benefits.

Clean Land and Water Investments

Job and Economic Benefit: Every million dollars invested in upgrading water treatment infrastructure creates at least 10 new, direct, jobs. Additionally, investments in lower cost alternatives, like green-infrastructure and LID stormwater management strategies, have the potential to grow a new industry of landscape architects, stormwater engineers, and infrastructure developers here in Connecticut. Not only do both types of investment create jobs, they support local businesses and tourism by providing the clean water needed to open beaches and shellfish beds. Help retain 20,000 agricultural jobs, generate more than 300 new forestry-related jobs and create additional jobs in habitat restoration and brownfield remediation.

Transportation

Job and Economic Benefit: Every million dollars invested in mass transportation creates 35 jobs and saves workers time and money. The bulk of the jobs would be construction initially, followed with continued employment for operators, mechanics, administrative staff and new jobs created by ancillary services, etc.

Workforce Development

Job and Economic Benefit: Having workers with skills that match the in-demand jobs will ensure that the job benefits of the programs above are fully realized.

We ask the legislature and Governor to pass a meaningful bill this year to position CT to compete in the green economy for today and the future.

For the above reasons, we **STRONGLY SUPPORT House Bill 5435** and ask the legislature to implement these and all the measures in the Majority Leaders' Roundtable Report to put people to work, grow the economy and keep Connecticut a world class place to live and conduct business.



DENISE W. MERRILL
HOUSE MAJORITY LEADER



STATE OF CONNECTICUT
HOUSE OF REPRESENTATIVES
HARTFORD, CONNECTICUT 06106-1591

Testimony of House Majority Leader Denise Merrill

In support of HB 5435, An Act Concerning the Recommendations of the Majority Leaders' Job Growth Roundtable

Thank you Chairman Berger, Chairman LeBeau and members of the Commerce Committee. I am here today to testify in support of HB 5435, AAC Recommendations of the Majority Leaders' Job Growth Roundtable.

Here at the legislature, we have struggled over the last year with massive budget shortfalls. But make no mistake about it Connecticut's budget woes are the symptom of the real problem---job loss.

Connecticut has lost 94,000 jobs since this recession began.

As you know, I and Senate Majority Leader Martin Looney jointly convened a group this fall which we called the Majority Leaders' Job Growth Roundtable. Members of the Senate and the House were included in the Roundtable, and it also included leaders in the business community, labor, educators, entrepreneurs and venture capitalists. Attached to my written testimony is a copy of the report.

The mission of this roundtable was to evaluate strategies to facilitate job growth and strengthen our economy. This is a time when the state has no resources to spare. But, I would also say that this is not a time to be passive, sit back and do nothing. The consequences of that are far worse.

So, we --- the state's elected leadership --- need to be strategic to be effective with limited resources. We need to be confident that our policies will be effective. And, so, the Roundtable asked: "What does Connecticut want to be?" And the answer is: we want Connecticut to be a center of innovation and entrepreneurship -- a place where Yankee ingenuity can flourish.

This is a major departure from the very traditional --"old school" -- model for economic development, which our state and many others still use. By that I mean the strategy of landing "one big deal" at a time. Our economy is in the worst recession since the Great Depression. There are quite frankly very few of these "one big deals" to be had right now -- big corporations that are household names -- like General Motors -- are fighting for survival. And Connecticut --- despite all the wonderful things our state offers -- has not been nearly aggressive enough.

In these times, with scarce resources, the best action our state can take is to make it possible for talented people, and great ideas to take root. This new strategy of "innovation economics" can transform Connecticut into a center of innovation that can be a magnet for entrepreneurs across the region. There are many people already in our state that want to launch new businesses and within an hour's drive there are one of the largest concentrations of entrepreneurs who operate outside of the Silicon Valley.

The Job Growth Roundtable's recommendations that are reflected in bill HB 5435 include:

- Investing in all stages of business growth
- Exporting assistance
- Innovation in Government
- Realignment of tax credits
- Support for industry clusters

Investing at all stages of business growth:

Today, one of the greatest challenges to our businesses is the lack of risk investment capital. It's a need that is "across the board" at all stages of business development...

HB 5435 creates a series of funds that will grow private sector investors by leveraging state resources. Pre-seed, early stage and later stage funding are all outlines in this support. It's important to note that funding and matching funds at these different stages are linked because it's the most effective system design. If we do not support all stages of businesses development, those entrepreneurs will face a dead-end --- or a "cliff"--- that undermines their success. If we, for instance, only support businesses at the early stage and not at later stages then that business, which is when jobs are created, then that business may find that support in another state in leave, which means Connecticut will have no return on its investment.

HB 5435 creates an Angel Investor Tax Credits program. Currently, Connecticut has a small number of angel investors. The bill proposes tax credit equal to 25% of their investment up to \$125,000. This will make investor dollars go further and attract other investors from the greater region to Connecticut deals.

Funding for these items will come from the redirection of the Insurance Reinvestment Fund tax credits, which are valued at \$200 million. There are also parameters as to what kind of investment will qualify.

For instance:

- it must be a Connecticut business,
- owned primarily by the management of the business and their families,
- have operating in the state less than ten consecutive years,
- has annual gross revenues less than \$5 million, and
- received less than \$4 million in cash investment eligible for these tax credits

The value of the credits will be capped at \$6 million in the first two years, capped at \$3 million in the following years, and sunset on July 1, 2020.

Supporting Industry Clusters:

As supported in the PRI committee's recent report, The State's Economic Competitiveness in Certain Areas, the industry cluster model has shown to be effective. Unfortunately in recent years, support for these clusters has decreased significantly. We need to reinvigorate the industry clusters and evaluate any new cluster designations that should be added, like green jobs or health care.

HB 5435 includes the need to support clusters with the appropriate amount of support. One of the often heard criticisms of the DECD is that they are not proactive. Industry clusters are the antidote. Perhaps the most important thing about clusters is that they are an effective way for the state to give ongoing support to existing businesses.

This bill is part of a series of proposals related to the Roundtable's recommendations, so it's important that I also mention how important it is for communication and cooperation to make the industry clusters succeed. There is another bill that would reinstate the Competitiveness Council. Unfortunately, like the clusters, the commitment to the Competitiveness Council diminished in recent years and Governor dissolved it last February. It should be reinstated so that we can all come together and work as a team to support industry in our state.

Exporting Assistance:

With the downturn in the economy many businesses are looking to find new markets elsewhere for their products. And, in fact, surveys show that there has been a rapid increase in the number of companies that have begun exporting since the economy went sour. They also show that businesses that haven't begun to export have a strong interest in doing so, but they lack information about how to where to start. Sadly, few of them know that the state can assist them.

We have to help these businesses begin exporting -- we must keep these jobs. Right now, at the DECD there is only one person who does exporting assistance, and it's not even a full time job. That's not acceptable.

The bill requires the assignment of adequate staff to provide technical assistance to businesses in the state in exporting, manufacturing and cluster-based initiatives and to provide guidance and advice on regulatory matters.

Realignment of Tax Credits

The Roundtable recommends the realignment of selected tax credits -- at no new net cost -- to provide incentives to job growth that are in line with the priorities that the Roundtable has set. For instance, as I mentioned earlier, the Insurance Reinvestment Fund tax credit will be

redirected to support pre-seed, early stage and later stage companies and will help to leverage private investment funding.

Also included in HB 5435 is a job growth tax credit. The criteria for this tax credit are:

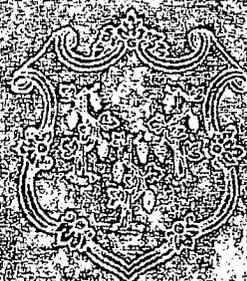
- The employee hired must be a Connecticut resident
- The job they are hired for must pay at least 80% of the median income and include health insurance.
- And the company must sufficiently demonstrate that it has added jobs.
- The value of the tax credit is 15% of the new employee's wages, capped at \$4,000 for 3 years.

To manage the cost of this new credit to the state, we recommend that the total value of the credit be capped, that it sunset in 2013, and that the legislature eliminate some of the other existing tax credits that are more specialized or underutilized.

Paperwork Reduction:

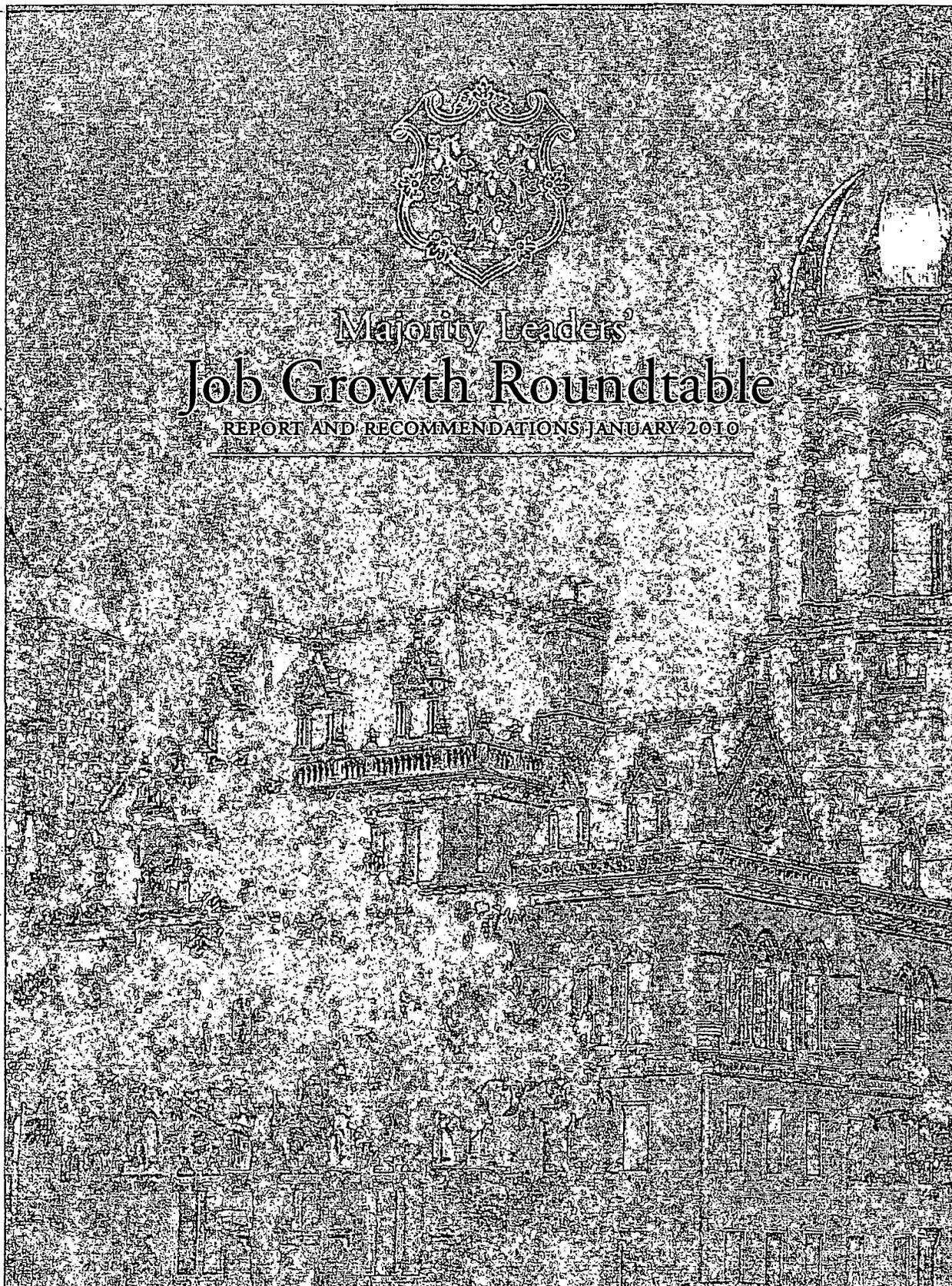
The way that businesses interface with the state has a lot to do with how they perceive the state: as an ally or an adversary. If the state routinely asks for duplicative information, fails to use modern systems like web based processes and isn't able to give clear expectations about when approval (or denial) will occur then we fuel the perception that Connecticut is not business friendly. HB 5435 establishes a paperwork reduction commission that will streamline and modernize the state's information system.

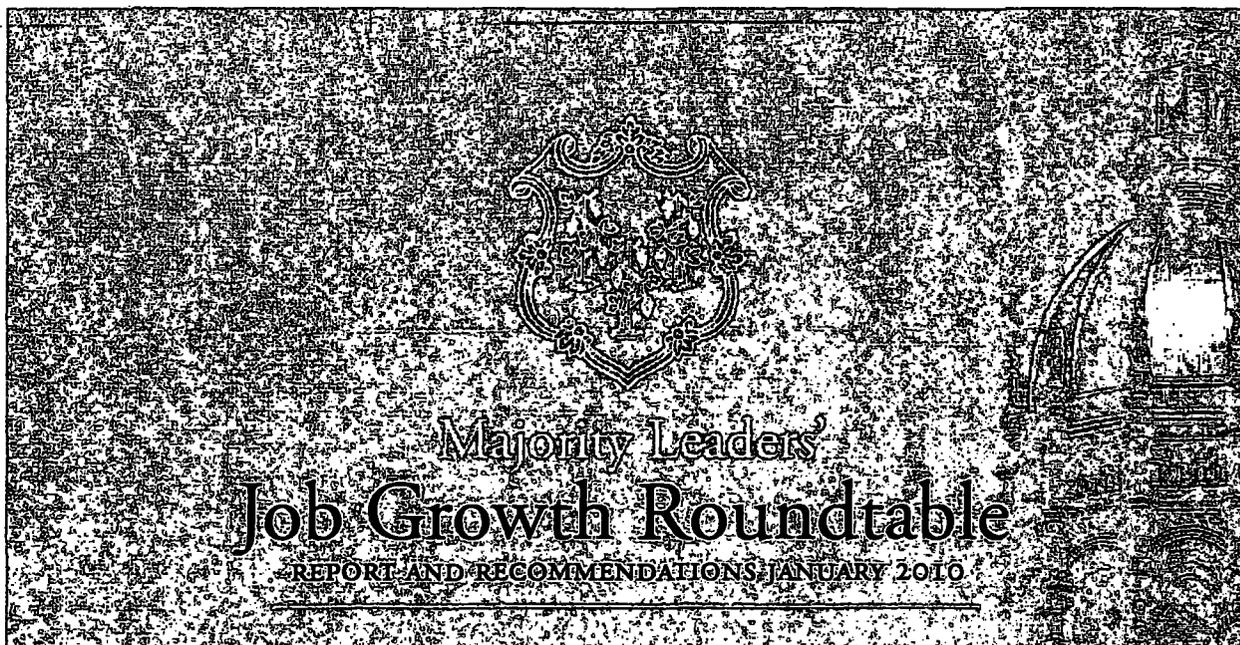
House Journal



Majority Leaders' Job Growth Roundtable

REPORT AND RECOMMENDATIONS JANUARY 2010





Special thanks to all of the members of the Majority Leaders' Job Growth Roundtable for their hard work on behalf of the citizens of Connecticut.

MEMBERS:

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Senator Martin Looney, Senate Majority Leader*

*Senator Gary LeBeau
Representative Chris Perone
Representative Brendan Sharkey
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AGENDA FOR JOB CREATION AND PROSPERITY

Reaching for the future, not retreating to the past

Connecticut is a state whose future can be as successful as its past. With our talented citizens, and a world class quality of life we still have tremendous promise to look forward to.

As one of the most productive and technologically advanced economies in the world, it is no surprise that when growth slows and global markets are in decline, Connecticut feels it much worse than most.

It is important to think both systematically and strategically about the best ways to compete for high quality jobs, create more of them, and to understand the complex factors that will make Connecticut competitive. And so, the Majority Leaders of the General Assembly decided last fall to look beyond current economic conditions and create a plan.

The Majority Leaders reached out to a cross section of legislators, academics, economists, labor and business leaders, and venture capitalists. The aim of this diverse group was to create a "Roundtable" to engage in a dialogue between all sectors and parts of the Connecticut economy about best practices, common experiences and real world based solutions that work and are affordable in the current budget climate.

The members of the Roundtable agreed on a few basic elements of a strategy:

- 1) Promote innovation and entrepreneurship
- 2) Educate, attract and retain young workers
- 3) Put people to work immediately in green jobs.

They also emphasized that such immediate steps must be placed in the context of a long-range plan of common purpose, with a commitment to a positive direction for economic growth and an approach that reduces uncertainty for the creators of jobs.

The agenda, created by the Roundtable, establishes a framework for actions that can be taken during the 2010 legislative session to facilitate both short and long term job growth in Connecticut.

The Vision and the Plan¹

We believe that all of Connecticut's residents would readily subscribe to the vision for the future of Connecticut outlined in Governor Rell's Economic Strategic Plan: "Connecticut will have a vibrant, diversified and resilient economy that provides the highest possible quality of life and access to opportunity for all."² Others would refer to this overall vision as attaining *prosperity* for the state and its residents.³ It echoes the call for "security and prosperity for all" envisioned by FDR as the nation prepared for peace after World War II.⁴

In the Information Age, David Osborne and Peter Hutchinson say, the keys to economic success in every state are "*education levels, quality of life, and connectivity* (the need to reliably move information, goods, and people)."⁵ The Brookings Institution refers to the last factor as *infrastructure*, and to Osborne's list of needed assets, adds *innovation*.⁶

Accordingly, the Majority Leaders' Job Growth Roundtable recommends the following plan to jump-start job creation in Connecticut while also laying a foundation for long-term prosperity. The priority initiatives are grouped under the major headings of:

- 1) Innovation and Entrepreneurship
- 2) Infrastructure
- 3) Education

The members of the Majority Leaders' Roundtable believe that the adoption of the initiatives recommended in their agenda is the surest path toward providing a positive climate for economic development, creating quality jobs that can be sustained in a competitive world and ensuring that there will be skilled workers available to fill those jobs. We also believe that this agenda can be the foundation for a non-partisan, collaborative approach for attaining the security and prosperity that all of Connecticut's residents seek to achieve.

In addition to these priorities for new initiatives, work should continue on other programs that have already been adopted by the General Assembly, including but not limited to, supporting the development of additional, affordable housing units near to transit and established population centers, fully funding PILOT for manufacturing machinery and equipment, and promoting policy coordination among state agencies.

**JOINT
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HEARINGS**

**COMMERCE
PART 3
605 – 909**

2010

1 INNOVATION AND ENTREPRENEURSHIP

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The best action the state can take to assure future prosperity is to make it possible for talented people and great ideas to take root and flourish, fed by an availability of funding and support. We must start by leveraging the power of government to make it easier for private risk capital to invest in the talented, ambitious people who live here.

We believe that a new emphasis in Connecticut on "innovation economics"⁷ can transform Connecticut into a center of innovation that can be a magnet and model for entrepreneurs across the region. There are many people already in our state that want to launch new businesses, and within an hour's drive there are a huge percentage of all entrepreneurs who operate outside of the Silicon Valley tech concentration. We know that historically, firms less than five years old accounted for all net job growth in the United States from 1980 to 2005.⁸

Moreover, as national business consultants have said, "Governments, which are often viewed as most effective when they stay out of the business sector's way, actually play an important role in nurturing and protecting one of their most important engines of growth: entrepreneurs. Effective public policy stokes economic growth."⁹

The Roundtable makes recommendations to support a continuum of efforts to improve and develop our capacity to be a stronger center of innovation-based job growth. Each piece supports and enables the next piece to be more powerful and to attract more ideas, private investment and talent:

- A) Investing at all stages of business growth
- B) Supporting industry clusters
- C) Exporting assistance
- D) Innovation in government
- E) Realignment of tax credits

A. Investing At All Stages of Business Growth

Today, one of the greatest challenges to our businesses (nationally) is the lack of risk investment capital.

In this section we discuss ways in which we will position Connecticut as a place of innovation, and a magnet for entrepreneurs. Inherent is the need for capital at *all stages* of the business development process. The underlying assumption of many of these items is that the state's role is *not* to "pick a winner" in the marketplace by creating policy that is too narrow in focus, but rather to support and grow private sector investors by leveraging some state resources.

Innovation proposals ranked high among the Roundtable members. Roundtable members emphasize that the various proposals for financing are linked, in that they support industry at different phases of evolution. And, items such as angel investor tax credits and industry cluster support mechanisms help to sustain an environment of innovation.

Roundtable members recommend providing both financial and operational support for innovation at all "stages of investment" in the entrepreneurial process. Some participants refer to this concept as "investment in an innovation eco-system" or a "technology-based innovation continuum."

Regardless of the terminology used, the state should:

- 1) *Provide pre-seed funding.* Using bonding, create an annual fund in the range of \$12 million to support pre-seed/proof of concepts. Administration of this program should be separate from seed and early-stage funding sources, and administered in coordination with appropriate cluster support, which could also provide support services (technical/incubator/mentoring) to high-potential entrepreneurs with ideas in the initial stage of development.¹⁰ A full innovation support concept utilizing the enhancement of the former Innovation Pipeline Accelerator should also be created.
- 2) Create an *Angel Investor Tax Credit* program, modeled on successful programs in other states, to support start-up companies.¹¹ The value of the tax credit program would be in the range of \$7 million to \$10 million. This incentive would leverage private investments by building new angel investment networks in Connecticut, and have a major impact on the "flow of deals". The process to register as angel investors should be simple, and the eligibility to qualify should be clear.
- 3) *Create a seed/start-up co-investment fund* (sometimes referred to as "side car" funding) to leverage angel investor money.¹² The state or its agents would be a passive investor and rely heavily on approved angel investment groups.
- 4) Develop a mechanism to provide *Early to Later Stage Funding*¹³ to support growing companies that now often leave Connecticut in search of funding support, just as they are about to produce jobs and profits. Create a fund of \$150 million, using \$75 million of state pension funds. Matching funds will come from qualified private equity fund manager.

B. Supporting Industry Clusters

The old-school approach to economic development is to "land one big deal at a time". With the global economy this approach is no longer effective. A comparable amount of resources can be used more effectively by supporting the clusters of industry that are already here in Connecticut.

The recent Program Review and Investigations Committee (PRI) report, *The State's Economic Competitiveness in Certain Areas (12/09)*, demonstrated that the state's industry clusters have been a good economic development strategy. However, dwindling support from the state has decreased their effectiveness. We must make the reinvigoration of the clusters a major priority, and reevaluate the current cluster definitions to either identify new clusters or amend current definitions. To maximize a cluster's potential it is critical that there be inter-agency cooperation and coordination.

- 1) Renew support of industry clusters with appropriate funding and evaluate whether current clusters are still appropriate, and/or if additional clusters should be developed, such as health care, green jobs, or creative industry.
- 2) Invest in a Regional Innovation Cluster Hub and Connector, using state and leveraged federal dollars to build an environment of innovation and entrepreneurship in conjunction with the administration of the pre-seed fund.¹⁴

C. Exporting Assistance

With the downturn in the economy many businesses are looking to find new markets abroad for their products. Surveys show that there has been a rapid increase in the number of companies who have begun exporting since the economy turned sour. They also show that there is very strong interest in companies that wish to begin exporting, but that they lack any information about how or where to start. They also need to know that the state provides this assistance.

- 1) Connecticut needs to expand and improve its support for international opportunities to increase business growth, using both state and federal offices.¹⁵

D. Innovation in Government

Making government more efficient and responsive to the needs of business will demonstrate in very concrete ways that we are committed to the health of the existing businesses in our state.

This section suggests actions that are transformative for the state's economic development efforts. Our goal needs to be a more seamless, easily accessed government process.

The Roundtable recommends:

- 1) Maximize web-based government services. Improvements in electronic information flow that facilitate business growth such as license renewal and permitting will have first priority.¹⁶
- 2) Provide incentives for regionalization of municipal services.
- 3) Promote the launch of a business institute that will promote and foster an ethos of information sharing. This could be a private entity with stakeholders convened by legislative leaders and the governor.
- 4) Launch a strong initiative to reduce unnecessary paperwork and redundant data collection by the state.

E. Realign Tax Credits:

The Roundtable recommends realigning selected tax credits (at no new net cost) to provide incentives to job growth in line with priority economic development for the new economy.

- 1) Redirect the existing Insurance Reinvestment Fund tax credits (currently \$200 million) for funds that will invest in emerging technologies, clean technologies and energy innovation.
- 2) Implement a new, more general tax credit system that promotes *quality* job growth to take effect in 2010 and end in 2013. Criteria for eligible jobs includes: employee must be a Connecticut resident, pay must be at least 80% of median income, and include health insurance.¹⁷ Examine recommendations included in the PRI Report, *The State's Economic Competitiveness in Selected Areas* regarding tax credits.

Innovation and Entrepreneurship

Majority Leaders' Job Growth Roundtable Report
& Recommendations January 2010**No Cost/Low Cost actions that might also be considered**

Innovation and Entrepreneurship
Create marketing slogan emphasizing Connecticut as a place for innovation. This shall be used at the top of all agency websites, and on marketing collateral. (PRI recommendation)
Include a Connecticut angel investor on Board of CII and SBIR advisory board. (PRI recommendation)
Instruct CI to take more risk with assistance in funding (general obligation bonds or loan guarantees) or consider privatizing.
Design youth specific programs for entrepreneurs such as a Connecticut Youth Innovators award in which Connecticut youth will pitch their business ideas in a competition judged by Angel Investors, and others with professional background in entrepreneurship and/or business, including the investment staff of CI.
Supporting Industry Clusters
Reinstate the Competitiveness Council to monitor cross-agency cooperation for industry clusters.
Reorganize agency staff as needed to give proactive and one stop service for information needed by clusters.
Exporting Assistance
Work with Congressional delegation & Senators to advocate for full staffing at US Commerce Export Assistance Center in Connecticut. Launch a joint effort with the center to promote export assistance to Connecticut businesses.
Upgrade the Department of Economic and Community Development (DECD) website to give more prominence to exporting, visual design improvements, practical, highlight positive results. (PRI recommendation)

More Information about recommended actions and other possible actions

Innovation & Entrepreneurship
Provide target funding for innovative businesses through general obligation bonding, or loan guarantees for private lenders.
Consider creation of dedicated funding/incentive programs specifically for small/micro business
Invest in matching resources to successful SBIR recipients and the Connecticut Innovation Challenge Grant program which would focus on investments on the state's core competencies.
Tech Transfer at Connecticut's Predominantly Undergraduate Institutions (PUIs): While Yale and University of Connecticut have tech transfer offices and operations, Connecticut's other schools do not and therefore we are missing the opportunity to identify ideas at these schools (state and private) and also the chance to connect work at these schools with major research efforts at Yale, UConn or appropriate New York and Massachusetts schools. This stunts our ability to grow our pipeline.
Microloans: create microloans targeted to urban settings. Recipients should have some sort of training (perhaps the Small Business Administration (SBA)). Design terms of repayment.
Consider whether the state should promote the use of research and development tax credits, such as selling credits back to state, or make them transferable as a strategy to free up business capital.

2 INFRASTRUCTURE

Majority Leaders' Job Growth Roundtable Report
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Traffic congestion and the high cost of energy are some of the largest obstacles to business growth in Connecticut. With available federal stimulus dollars and the public's focus on "green jobs" now is the time to put these projects at the forefront. Establishing such a priority would confront head-on what discourages businesses from locating or staying in Connecticut.

Investment in infrastructure provides both short-term economic stimulus and long-term competitive advantage. Infrastructure projects create a large number of jobs that generally pay well. They provide public benefits long after they are completed. If properly conceived and executed, they can benefit the environment and reduce energy usage and cost.

The Roundtable recommends maximizing job creation through state bonding. At this moment we can take advantage of historically low interest rates and lower construction costs which will make our dollars go further.

It is also worth mentioning that, investing in a strong energy infrastructure will also positively impact job creation and make the electric supply system stronger and more reliable, allowing access to multiple generation sources. Rather than delve into policy regarding rate structure, the group focused on energy efficiency, which is the quickest way to drive down energy costs. One recent study demonstrated that for every \$1 we invest in energy efficiency we put \$6 to \$8 back in the Gross State Product.¹⁸ That being said, the group does recognize the need to address energy costs as fundamental to the future economic health of the state, but that task was beyond its scope of expertise.

The three areas that the Roundtable suggests focus on are:

- A) Transportation
- B) Water
- C) Energy

A. Transportation

- 1) Invest capital funds in double-tracking the New Haven to Springfield rail line, and advocate for one-seat high speed rail service between the Hartford area and New York City and beyond – leveraging Connecticut's proximity to New York City's financial mega center by encouraging support service companies and workers to locate here.

- 2) Invest capital funds in multi-modal transit systems in the state's metropolitan areas, to facilitate access between housing and jobs and decrease vehicle miles traveled. Transit reduces costs to workers and companies, and has the positive side benefits of using less energy and reducing the production of carbon and greenhouse gases.

B. Water

- 1) Rebuild and enhance wastewater treatment facilities using Clean Water Fund and federal stimulus dollars. This is a highly productive way to create jobs, and has positive benefits for the environment. It is estimated that between 10 and 100 direct and indirect jobs are created for every \$1 million spent. The current level of Clean Water Fund allocations will create a minimum of 2,600 jobs. Improved water quality will grow local businesses access to sustainable fisheries and open prime state shellfish beds, and promote healthy tourism by maintaining open beaches. The Clean Water Fund can be made more flexible.

- 2) Encourage investment in green infrastructure as a water management strategy.

A. Energy

- 1) Provide incentives (using the Clean Energy Fund and other sources) to enhance energy efficiency in the initial construction and the rehabilitation of homes and businesses, and to promote distributed generation facilities that use "green" resources, including but not limited to fuel cell, solar, hydro, geothermal and wind. One of the most cost-effective ways to lower energy costs is to reduce the demand for fossil fuels. Using energy more efficiently also has a beneficial impact on the environment.¹⁹
- 2) Provide incentives for the manufacturing of green energy products.
- 3) Create competitive grant program for schools to make energy efficiency improvements and allow for energy efficiency upgrades of schools to be funded by school construction bonding.
- 4) Allow for municipalities to site renewable generation on their buildings that are owned/installed by private entities. And, design policy that would allow those municipalities to capture energy cost savings in return for doing so.

Infrastructure

Majority Leaders' Job Growth Roundtable Report
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- 5) Create and support financing mechanisms for residential users to make efficiency improvements. Allowing for municipalities to do "green bonding". This concept, according to the Clean Energy Fund, will enhance potential for federal approval as they award dollars to green projects. This would allow homeowners to borrow for efficiency projects and pay back via property tax payment. Obligation for repayment transfers to a new owner. Some have suggested the payback of borrowing could be via utility bills, allowing the consumer to capture some of the energy costs, and also payback the loan via the utility bill.
- 4) To promote more efficient use of existing infrastructure, incent functional collaboration among municipalities.

No Cost/Low Cost actions that might also be considered

Infrastructure
Update rebate programs in electric and natural gas conservation and load management plan to include new technologies that are eligible for rebates.

More Information about recommended actions and other possible actions

Infrastructure
Invest in research facilities of University of Connecticut Health Center
<p>Sustainable forestry practices are projected to create over 300 jobs and add revenues of over \$1 million to state revenues within the first two years.</p> <ul style="list-style-type: none"> • Increase sustainable harvests in state forests from 3 million board feet to 9–10 million board feet per year level through: <ol style="list-style-type: none"> 1. An increase of 6 forest technicians and 2 foresters within Department of Environmental Protection Forestry (phased in over 2 years); or 2. Enabling Departmental of Environmental Protection Forestry to contract with private certified foresters to enhance state forest management planning and implementation.
Ensure that Connecticut utility companies are buying back the electricity produced and allow for renewable energy credits to be bought and sold.

3 EDUCATION

Majority Leaders' Job Growth Roundtable Report
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The policy directions that we take to build new markets and grow jobs will all be for naught if we aren't able to also provide the human talent for those jobs. To build high tech industries in our state, we need a workforce strong in math and science, therefore now is the time to put greater emphasis on the STEM curricula and to commit ourselves for the long term to see its success.

The Roundtable spent a considerable amount of time exploring how the community colleges intersect with secondary schools and the community, ways to decrease the need for remedial instruction of incoming students, and how to adapt curricula to keep pace with business's needs.

Of course the first priority is to get people back to work as soon as possible, but we also need to support our residents with access to education that can help them to start an alternative career.

To build innovative and entrepreneurial businesses, we need a workforce with the skills and knowledge in areas that are necessary for a competitive edge in the global marketplace. We must grow talent through a 21st century skills-based education system²⁰ that includes:

- 1) Enhanced early-childhood education (ready by 5, fine by 9).
- 2) Emphasis on science, technology, engineering, and mathematics (STEM) education, to include a continuum of learning expectations and student proficiencies from early-childhood through post secondary education.
- 3) STEM course-taking and graduation requirements need to be rigorous, yet flexible.
- 4) Every Connecticut high school student upon graduation should be thoroughly prepared, without need for remediation, to enter 21st century technical certification and/or apprentice programs, two- or four-year higher educational institutions, or immediate work opportunities dependent upon the student's interests, strengths and curiosity.

We also suggest:

- As Connecticut promotes a market for green jobs and incents energy efficiency programs, we will need to develop a workforce to implement these new demands as well. Therefore, issues related to professional trade licenses will need to be examined, as well as green content of school curricula.
- Consider creating a program modeled on Michigan's No Worker Left Behind legislation, which gives free tuition to community colleges for unemployed workers pursuing high demand occupations. Michigan has used federal stimulus money to fund this program.
- Maximize the federal funds available through the ARRA TANF Emergency Contingency Fund, which is only available until fall 2010 and can be used for subsidized employment and job training.

No Cost/Low Cost actions that might also be considered

Workforce Development
<p>Build relationships between higher education and business: Create policy to further relationships between higher education institutions and businesses. Community colleges need close relationships with local businesses to be able to understand their workforce needs. Four year institutions need to understand the state economic needs so that the state can maintain a well educated workforce and keep young graduates in state.</p>
<p>Integrate green curricula: Educational institutions should look for opportunities to integrate "green curriculum" into coursework, training centers' programs, certification programs, etc.</p>
<p>Target and provide appropriate training to already licensed plumbers, heating professionals or other appropriate skilled trades to earn appropriate licenses for solar installation, or other green products. Evaluate how to integrate green instruction into continuing education for licenses. Reconsider HB 09-5162.</p>

Education

Majority Leaders' Job Growth Roundtable Report
& Recommendations January 2010**More information about recommended actions
and other possible actions**

Workforce Development	
<p>No Worker Left Behind: Jobs in knowledge based industries require significant postsecondary training or bachelor's degree:</p> <ul style="list-style-type: none"> • Up to 2 yrs of free tuition at any state community college, university or other approved training program • A skills assessment administered by workforce development boards (in Michigan: "works agencies") • Must pursue a degree or occupational certificate in a high demand occupation or emerging industry or in an entrepreneurship program. Bachelor degrees are allowed if educational program meets all other core criteria (2 yrs or less needed, will lead to job in high demand, etc.) • Free tuition program is a one time offer and has a 2 year limit to sign up for the program (MI program began 8.1.07) • Tuition includes instructional costs, books, materials, fee, and academic supportive services • Tuition assistance is capped at \$5,000/yr for 2 years, or a total of \$10,000 per person • Workforce development boards will help participant identify high demand jobs in their region • Once enrolled, participants need to complete training within four years of starting • Education and training providers must be licensed/ accredited • Eligibility: person unemployed or received notice of termination/layoff; employed but family income equal/ below 40,000; at least 18 years old, must not have graduated from high school in last 2 yrs and must not be full-time college student (applies to 18-23 years old) 	<p>Implement talent based strategy for economic growth that takes advantage of core competencies that CT has already developed: 1) advanced systems and product development, 2) advanced information systems, 3) biomedical engineering interface, 4) translational medicine</p>
	<p>Evaluate proposals generated by PRI report of 12/09: Alignment of Postsecondary Education and Employment. Prioritize those recommendations that 1) decrease (or manage) the need for community colleges to provide remedial education, 2) promote cooperation or coordination between agencies or schools, 3) are responsive to emerging industry needs and create career ladders where needed in new fields, and 4) maximize resources.</p>
	<p>Use ARRA TANF Emergency Contingency Fund money to provide subsidized employment for TANF-eligible families. Under ARRA, the federal government will provide a 4:1 match for any increased spending on subsidized employment programs for TANF-eligible families. This increased spending may come from the state itself or from municipalities, non-profits, or private sector employers. The TANF Emergency Contingency Fund is only available until September 2010, though Congress may extend that deadline.</p>
<p>Workforce Retraining: Enrich talent by retraining and retooling the existing workforce: 1) sector-based workforce development programs, 2) integrate adult literacy programs into the talent pipeline, 3) sector-based education and training pathways</p>	
<p>Consider ways to maintain Workforce Investment Board's On-the-Job-Training program for employers hiring unemployed individuals. The OJT program offers a wage reimbursement percentage currently granted by the federal stimulus funds provided a dramatic increase in funding to match the increase in demand but as of 7/1/10 the program will return to prior funding levels. We need to work with Congressional delegation to advocate for funding. State should evaluate how it can assist in stabilizing this program.</p>	

4 RECOMMENDATIONS FOR SUSTAINED EXCELLENCE FOR POLICY RESEARCH & IMPLEMENTATION

The members of the Roundtable are acutely aware that action steps to implement these recommendations, or other steps of a strategic plan, require up-to-date data and excellent policy analysis which considers the experience of other jurisdictions. The recommendations of this section are designed to implement a culture of best practices in policymaking.

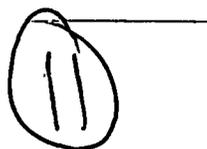
Suggestions to achieve this include:

1. Use available information from national sources such as the National Governor's Association Center for Best Practices, the Council of State Governments, the National Conference of State Legislatures, the Brookings Institute, and the Pew Center on the States. The capacity to review research findings and evaluate their relevance for Connecticut must be enhanced in order to fully inform state policy-making and legislation.
2. Strengthen the planning and policy analysis capacity at OPM.
3. Enhance the research and policy analysis capacity of the General Assembly's nonpartisan staff in the Office of Fiscal Analysis, the Office of Legislative Research, and the Program Review and Investigations Committee.
4. Create and commit fiscal support for an independent policy research institute in the state, with a focus specifically on Connecticut.
5. Create a body that includes legislative, executive, and private sector representation to work cooperatively in addressing job growth and economic development strategy.



FOOTNOTES

- ¹ To paraphrase Saint-Exupery, "A vision without a plan is just a wish."
- ² Connecticut Economic Strategic Plan, (Department of Economic and Community Development, September 2009), p. 4.
- ³ Blueprint for American Prosperity (Brookings Institution, 2007), located at http://www.brookings.edu/~media/Files/Projects/blueprint/prospectus_bp.pdf
- ⁴ In his State of the Union message in 1944, President Roosevelt articulated a "Second Bill of Rights" aimed at attaining "security and prosperity... for all regardless of station, race, or creed," including the rights "to a useful and remunerative job... to earn enough to provide adequate food and clothing and recreation... to a decent home... to adequate medical care... to adequate protection from the economic fears of old age, sickness, accident and unemployment... and to a good education."
- ⁵ Osborne and Hutchinson, *The Price of Government* (New York: Basic Books, 2004), p. 58.
- ⁶ Brookings, *Blueprint for American Prosperity*, pp. 6-8.
- ⁷ A helpful discussion of the "Innovation Economics" model is at Program Review and Investigations Committee, "Connecticut's Economic Competitiveness in Selected Areas" (Staff Briefing, October 6, 2009), pp. 6-10.
- ⁸ See the presentation by Liddy Karter to the Roundtable.
- ⁹ Ernst and Young, "Entrepreneurship and innovation: The keys to global economic recovery" (2009), p. 1. (See also pp. 16-18.) This report is located at [http://www.ey.com/Publication/vwLUAssets/Entrepreneurship_and_innovation_the_keys_to_global_economic_recovery/\\$FILE/Entrepreneurship_and_innovation_the_keys_to_global_economic_recovery.pdf](http://www.ey.com/Publication/vwLUAssets/Entrepreneurship_and_innovation_the_keys_to_global_economic_recovery/$FILE/Entrepreneurship_and_innovation_the_keys_to_global_economic_recovery.pdf)
- ¹⁰ Program Review and Investigations Committee, "Connecticut's Economic Competitiveness in Selected Areas" (Staff Findings and Recommendations, December 17, 2009), pp. 31-34.
- ¹¹ Program Review and Investigations Committee, "Connecticut's Economic Competitiveness in Selected Areas" (Staff Findings and Recommendations, December 17, 2009), pp. 35-38. For other states, see National Governors Association Center for Best Practices, "Issue Brief: State Strategies to Promote Angel Investment for Economic Growth" (NGA, February 14, 2008) located at <http://www.nga.org/Files/pdf/0802ANGELINVESTMENT.PDF>.
- ¹² Program Review and Investigations Committee, "Connecticut's Economic Competitiveness in Selected Areas" (Staff Findings and Recommendations, December 17, 2009), pp. 38-39.
- ¹³ "The venture capital community is moving more toward only wanting to invest in companies that have some customer traction and developed products," after angel investors have brought them to that point. Quoted in National Governors Association Center for Best Practices, "Issue Brief: State Strategies to Promote Angel Investment for Economic Growth" (NGA, February 14, 2008), p. 4.
- ¹⁴ Program Review and Investigations Committee, "Connecticut's Economic Competitiveness in Selected Areas" (Staff Findings and Recommendations, December 17, 2009), pp. 34-37.
- ¹⁵ Program Review and Investigations Committee, "Connecticut's Economic Competitiveness in Selected Areas" (Staff Findings and Recommendations, December 17, 2009), pp. 41-47.
- ¹⁶ Program Review and Investigations Committee, "Connecticut's Economic Competitiveness in Selected Areas" (Staff Findings and Recommendations, December 17, 2009), pp. 20-21.
- ¹⁷ Program Review and Investigations Committee, "Connecticut's Economic Competitiveness in Selected Areas" (Staff Findings and Recommendations, December 17, 2009) pp. 55-57.
- ¹⁸ Environment Northeast, "Energy Efficiency: Engine of Economic Growth, A Macroeconomic Modeling Assessment, pp. 29-30.
- ¹⁹ Direct state investment in clean energy enterprises also supports innovation and job creation. See, especially, "The CleanEnergy Economy: Repowering Jobs, Businesses and Investments Across America" (Pew Charitable Trusts, 2009), located at http://www.pewcenteronthestates.org/uploadedFiles/Clean_Economy_Report_Web.pdf
- ²⁰ "Growing, Using and Enriching Connecticut's Talent Pipeline" (Office of Workforce Competitiveness, February 2007). See also the presentation by the Office of Workforce Competitiveness to the Roundtable on November 16, 2009.



*Connecticut Chapter
645 Farmington Ave.
Hartford, Connecticut 06105
www.connecticut.sierraclub.org*

Martin Mador, Legislative Chair

Commerce Committee
March 9, 2010

**Testimony In Support of
HB 5435 AAC The Recommendations of the Majority Leader's Job Growth Roundtable**

I am Martin Mador, 130 Highland Ave., Hamden, CT 06518. I am the volunteer Legislative Chair for the Sierra Club Connecticut Chapter, and the Legislative Co-Chair of the Connecticut Foundation for Environmentally Safe Schools (ConnFESS). I am testifying here for both Sierra and ConnFESS. I hold a Masters of Environmental Management from the Yale School of Forestry and Environmental Studies.

I will address my remarks to Section 10 of the bill. This section would make major upgrades of a school's mechanical plant (heating/ventilation/air conditioning or HVAC) eligible for state reimbursement, as long as the upgrades met the "green" requirements of section 16a-38k. However, the language of this section needs some revision so that its intent and effect is clear. It also needs to better clarify the energy standards to which the project must adhere. We will submit suggested revisions to address these two issues.

This bill will encourage districts which decline to replace a school entirely, or make comprehensive renovations, to at least upgrade the building's HVAC systems. These upgrades will significantly improve the energy performance of the building, resulting in considerable cost savings. If the ventilation system is upgraded, the increased airflow can significantly improve the Indoor Air Quality for occupants of the school. This construction work, of course, will create green jobs.

ConnFESS makes the following statement about these upgrades:

The good news is that over the last decade advancements in HVAC technology can make it easier to balance energy efficiency, optimal indoor air quality and cost savings. It is possible to have healthier people and a healthier planet without busting one's budget. The U.S. EPA's Design Tools for Schools (www.epa.gov/iaq/schooldesign/hvac.html) explains how engineers can design HVAC systems that:

1. are cost competitive with traditional ventilation designs
2. provide the appropriate quality and quantity of outdoor air
3. lower energy costs
4. simplify maintenance

As our state moves to decrease school construction grants due to more limited bonding and debt service capacity, we support legislation that will make smaller projects to upgrade and repair HVAC systems eligible for reimbursement because such allocations could:

1. Promote:
 - a. Job growth
 - b. Use of green technologies in schools

- c. Cost savings through energy efficiency
- d. Increased public awareness of the substantial role of HVAC systems in creating healthier, safer, and more productive learning environments
- e. Proven benefits of superior IAQ such as improved test scores, attendance, and teacher retention

2. Protect:

- a. The health of our students, teachers and staff from sick building syndrome and building related illnesses
- b. The considerable long-term local and state investments made in our school facilities
- c. The environment by reducing greenhouse gas emissions

3. Prevent:

- a. Accelerated deterioration and reduced efficiency of a school's physical plant
- b. Negative publicity that damages a school's public image
- c. Strained relationships between parents, teachers, administration and school officials
- d. Liability issues and workers compensation claims
- e. Serious IAQ problems that could force the closing of a school

Testimony of Matthew Nemerson, President of the Connecticut Technology Council
Speaking on March 9, 2010 to the Commerce Committee (edited version)

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Distinguished chairmen Sen. LeBeau and Rep. Berger and members of the committee, As President of the Connecticut Technology Council I represent a statewide community of over 2,500 technology oriented firms employing over 150,000 individuals whose jobs are related in some way to innovation and technology. We also work with another 500 smaller firms just starting and hoping to plant roots here in Connecticut.

This is the fifth year we have come to support the idea of using state resources to leverage additional early stage private investments in innovative companies and so we are delighted to speak in favor of the concepts embodied in Raided Bill 5435, An act support the recommendations of the Majority Leader's Job Growth Roundtable which I had the honor to be selected to participate on.

You will hear after me from representatives of the Angel Investor community so I will not go into any details now about the specifics of that industry nor the many examples of how incentivizing and leverage angel dollars can help grow state and regional economies. But, I do want to speak to the themes that were discussed in the Report of Program Review and Investigations Committee reports of last fall and this winter.

Connecticut is clearly reeling from a period of slow growth and confusion about its economic future. While we suffer more than other locations because of our extreme reliance on high value added jobs and the presence of existing wealth to fuel our business cycles, we are not that different from many increasingly post-industrial western sovereign democracies.

Government and business must work together to help Connecticut win against the forces of global competition. It is no longer possible to be passive and hope that what worked yesterday will bring success today and tomorrow in the exercise of policies and planning for economic growth. In truth, what we learn from the past is that it is always time to try new things and to be smarter than our neighbors when it comes to infrastructure, capital markets, incentives and work force preparation. Our challenges are little different from those facing us in 1830, 1860, 1920, 1950 or 1995...except that instead of competing with Springfield, North Carolina or Mexico we are now competing with Singapore and Bangalore.

And competition may not be the right word...we are really seeking to find our proper role in a global economy that we find ourselves wanting to be connected to and needed by. So how does that get us to Bill 5435? The scope of this bill, even if there are elements that need refining speaks to a new way of approaching innovation and support of its commercialization as part of a complex growth eco-system that needs support and attention. We applaud the leadership of the legislature as we applauded the work of the Program review and Investigations Committee report for outlining the many issues and possible policy responses to the state's deficiencies.

The elements of this bill - \$12m for pre-seed funding, the angel tax credit, support of grants to SBIR applicants, an ability to conduct some impactful marketing of the state related to a realistic depiction of our philosophy towards being a "place of innovation (assuming we can accomplish this reality)", the re-inclusion of state clusters as part of a legitimate system of analysis, the elimination of duplicative procedures and the addressing of a jobs creation tax credit are all worthy if complicated goals.

There are some details in this bill which I think need to be refined. The detailed allocation of percentages by age of growing companies in Section 5, Part d, seems out of step with a true eco-system approach. Perhaps it is the best way to start from and then adjust to.

The whole role of CT Innovations is one where we should set them up to be as successful and useful as possible. Their role as a manager of a process versus their being the very best early stage public venture fund possible needs to be debated and discussed.

The problem in the past is that Government organizations can collect information and analyze it on a case by case basis, but this same group might not be able to process a change in direction or strategy if its data shows symmetric problems, the political reality is that failure and redirection is often not an available public possibility in a politically charged environment. But, with on-going feedback and non-judgmental adjustments made every two years or so we can keep a balance and effective process. Agency capture and lack of rigorous self-analysis is an often pointed out issue for many state and regional TBED programs.

Competing private groups under an umbrella may be a more effective model than to mix funding, investing and overseeing in one body, and CI's expertise is clearly as an early stage investor in firms that may do well in the state. We need to examine the role of sectors and groups in playing the complex roles that are incorporated in this bill.

This is said with knowledge that perfection is the enemy of the good, but that reorganizations come but once a generation.

I urge you to support this bill with some modifications and refinements and we look forward in helping in any way we can as the process moves this legislation towards passage.

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Entrepreneur's Tax Credit

Legislative Hearing on Raised Bill No. 5435

Presented by: Mary Anne Rooke
Managing Director, Angel Investor Forum

Prepared by: Liddy Karter
lkarter@kartercapital.com, 203 376 7958

3/9/2010



Active Angel Investor

Mary Anne Rooke

Managing Director, Angel Investor Forum
Active Angel in CT for 4 years

Background:
 Born, raised & schooled in CT
 Moved out of CT to start business career
 Boston - 5 years
 Silicon Valley - 20 years
 Financial & management roles: Auditor to CFO
 Public & private business
 Start-ups to Fortune 500 companies

lkarter@kartercapital.com
 lkarter@kartercapital.com

3/9/2010



Active Angel Investor

Liddy Karter

Managing Director, Karter Capital Advisors, llc
 Director and founder of Angel Investor Forum,
 Chair Public Policy Comm. Angel Capital Assoc.

Background:

Director of Innovation Pipeline Accelerator

A program of the CT Technology Council sponsored by the
 DECD

CFO of CT based, VC backed, software co, sold to NCR

CEO of CT based, Angel backed, environmental co, sold
 to waste company

Investment Banker: Morgan Stanley

Yale MBA, Columbia B.A.

lkarter@kartercapital.com

3/9/2010

2



Active Angel Investor

Angel Investors are a key ingredient needed to
 stimulate and build an active & vibrant
 Entrepreneurial Community.

CT is not a leader in helping early stage business
 grow & stay in CT

CT does not yet have a strong Angel investment
 community

Angel Investor Forum is building the Angel
 Investor network in CT

lkarter@kartercapital.com

3/9/2010

3



Strongly Support Bill #323

Bill as written is fine

Only change would be to have an independent third party, not CI, evaluate the effectiveness of the credit annually.

Excellent to combine the sidecar fund and the SBIR support within the same organization as these will work collaboratively.

3/9/2010

4



Leverage Private Capital

National Angel Investing status

Angel Investor Forum

Wisconsin Model

Ohio Model

Lerner Roadmap

CT Roadmap for Job growth

3/9/2010

 lkarter@karterca
 pfd.com

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HAIL THE JOB CREATORS

From 1980 to 2005, firms less than five years old accounted for ALL net job growth in the United States.

*Business Dynamics Statistics
Briefing: Jobs Created from
Business Start-ups in the United
States, January, 2009.*

3/9/2010

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Companies Backed by American Angels

AMBIT[™]
Broadband

myspace.com[™]
a place for friends

BEST BUY

facebook

YAHOO!

amazon.com

bitpipe

COSTCO
.com

ALCOA

redhat



Google

CISCO

Regeneration[™]
TECHNOLOGIES, INC.

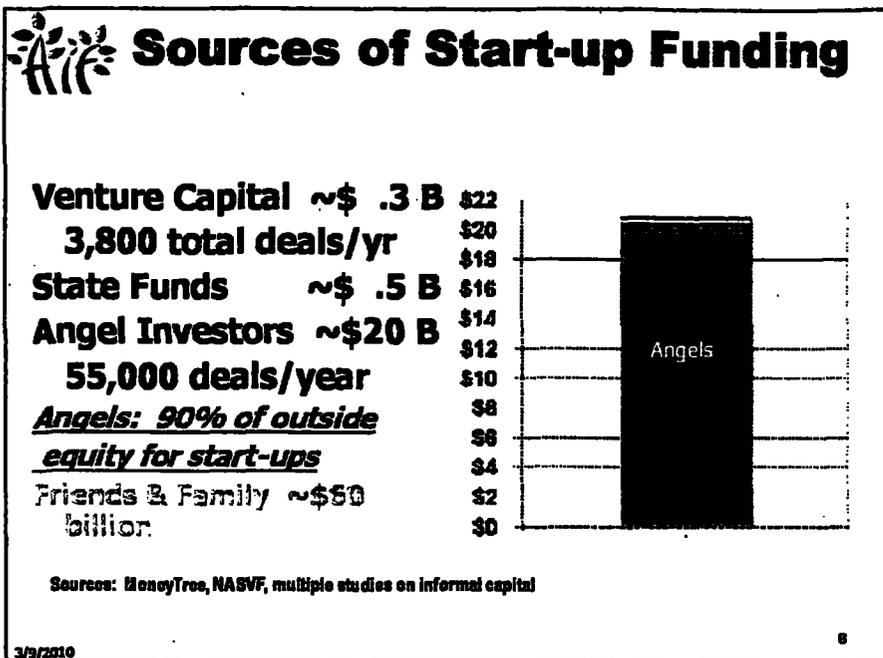
Ask
.com

green dot

PayPal[™]

3/9/2010

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Angel Capital Association Today

Mission: Support the growth, financial stability, and investment success of its member groups.

- 160 angel groups
- 7,000 investors
- 20 affiliates
- 49 states/ provinces



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Angel Investor Forum Today

Investor Cluster Locations:

Hartford / New Haven / Stamford

68 Active membership

52 Paid Members

15 new members in 2009

3 new members in 2010

Plus Prospective Members, Sponsors & Advisors

3/9/2010

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Portfolio Summary

AIF members have directly invested over \$4 million in 28 deals since Nov 2004.

Over \$30 million invested by others alongside those investors.

134 jobs created with 84 jobs in CT

Sectors range from consumer products, IT to biotech

2 successful exits, both sales to larger companies.

2 failures

CAGR exceeds 50% for remaining portfolio

Cost to State of CT: \$0

3/9/2010

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AIF's Sponsors and Affiliates

Cash Sponsors:

Foley Hoag, Boston Based Law Firm
Hinckley Allen & Snyder, Boston Based Law Firm
CT Innovations

In Kind Sponsors

CT Technology Council
CT Center for Advanced Technology
Robinson Cole
Wiggin & Dana
Accounting Resources Inc
Yale University
UConn

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AIF's Challenges

Cash to pay for an Executive Director
Operating in a vacuum in an uncoordinated
environment
Watching entrepreneurs go elsewhere
Watching capital flow to NY and Boston

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Other State's Angel Stimulus

Tax Credits: Wisconsin Example

- Stimulates membership in Angel Groups

http://www.angelcapitalassociation.org/dir_resources/state_policy_issues.aspx

<http://www.wisconsinangelnetwork.com/uploads/uploads/2009%20Wis%20Portfolio%20web.pdf>

Side car funds: Ohio example

- Pays for Administrative staff through 2% fees

www.bioenterprise.com

See: www.angelcapitalassociation.org.

3/9/2010

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3/9/2010

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WAN - Membership

Angel Networks
 Angel and Early Stage Funds
 Venture Funds
 Corporate Strategic Partners

- Members have access to Deal-flow Pipeline
- Currently there are 28 investor-member organizations
- Representing over 250 individual investors, funds with hundreds of millions
- Members listed at WAN website

3/9/2010

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Wisconsin Act 255: Tax Credits

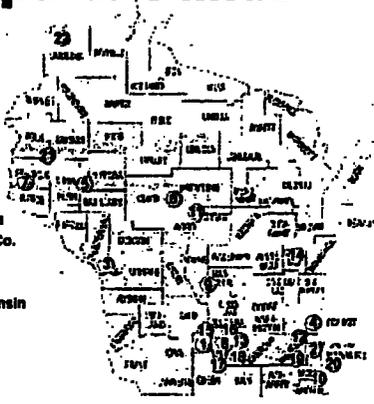
	Angel Investment	Early Stage Seed Investment Fund
Income Tax Credit:	25% (per investment) (12.5% per year - 2 yrs)	25% (per investment)
Effective Date:	January 1, 2005	January 1, 2005
Maximum Annual Aggregate Amount of Tax Credits Per Year:	\$3.0 M (2005) \$18.25M (2011)	\$3.5 M (2005) \$18.75M (2011)
Maximum Investment Per Company:	\$1 M (2005) \$8 M (2011)	\$3 M (2005) \$8 M (2011)

Joe Kremer WAN
 jkremer@wisconsinan
 gelnetwork.com

3/9/2010

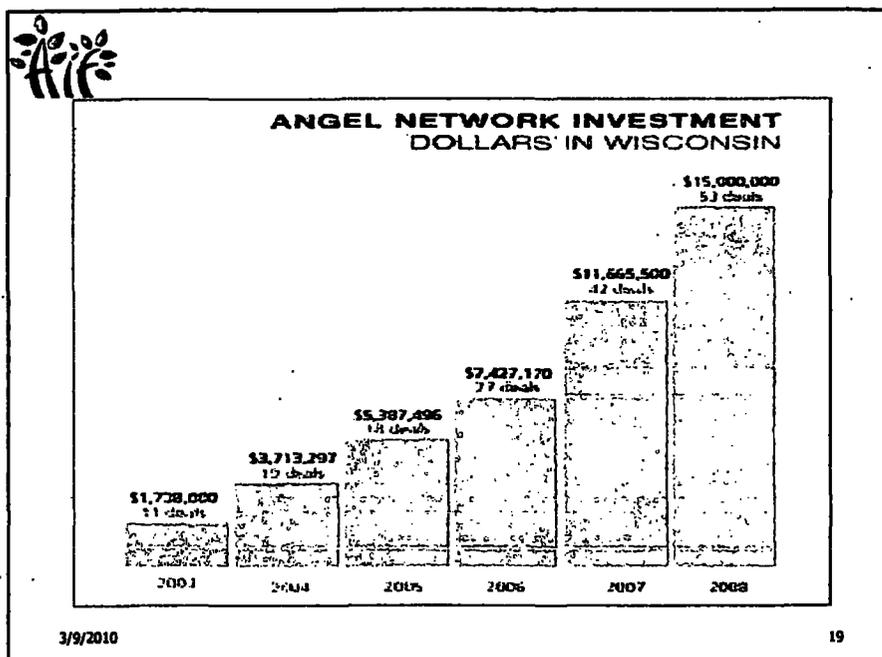
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AIF WI Angel Groups or Funds

<ol style="list-style-type: none"> 1. Wisconsin Investment Partners, LLC* 2. Silicon Partners* 3. Origin Investment Group, LLC* 4. Golden Angels Network* 5. Chippewa Valley Angel Network 6. Marshfield Investment Partners, LLC* 7. St. Croix Valley Angel Network, Inc.* 8. Flamenco Angels* 9. Badger AgWest* 10. Pennies From Heaven* 11. Central Wisconsin Business Angels* 12. Women Angels* 13. Keweenaw Capital Fund* 14. NEW Capital Fund, LP* 15. Badger Alumni Capital Network 16. Dase/West Tech Fund F 17. Continuum Investment Partners* 18. Capital Venture Fund* 19. Capital Midwest Fund* 20. Successful Entrepreneur Investors* 21. New Richmond Angel Investment Network 22. Lake Superior Angel Network 	<p>Madison Milwaukee La Crosse Milwaukee Eau Claire Marshfield River Falls Madison Madison Racine / Kenosha Portage / Wood Co. Milwaukee Fitchburg Northeast Wisconsin Madison Madison Madison Madison Milwaukee Milwaukee New Richmond Lake Superior Region</p>	 <p style="font-size: small; text-align: center;"> © 2009 AIF Wisconsin Angel Network Founded by www.aifwisconsin.com </p>
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* = WAM Investor-member

3/9/2010
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Entrepreneurship Roadmap

Read:

**"Boulevard of Broken Dreams
Why Public Efforts to Boost
Entrepreneurship and Venture
Capital HAVE FAILED – and What to
DO about it."**

**--by Josh Lerner, Professor Harvard
Business School**

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Lerner Roadmap

**Create a supportive entrepreneurial environment
Enable local academic and scientific resource
sharing
Let the market provide direction
Avoid over-engineering
Expect long lead times
Size the program for effectiveness
Institutionalize tracking and evaluations
Maintain flexibility**

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CT Entrepreneurship Roadmap – Efforts to date:

Create a supportive entrepreneurial environment

- R&D Tax Credit

Enable local academic and scientific resource sharing

- UConn IP Law Clinic and Innovation Accelerator

Let the market provide direction

Avoid over-engineering

Expect long lead times

Size the program for effectiveness

Institutionalize tracking and evaluations

3/9/10 **Maintain flexibility**

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CT Entrepreneurship Roadmap Next Step:

Implement a 25% Entrepreneur's Tax Credit

Allocate \$5MM for a side car fund to invest alongside angel groups

- This creates the fee income required to support an Executive Director to develop more angel investing activity

- Creates the opportunity for returns to the State

- Historical returns are 26% IRR

- Encourages other corporate leaders to invest

3/9/2010

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Thank you

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860 961-4858

Liddy Karter

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203 376-7958

3/9/2010

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**Increasing Kentucky's Competitiveness:
A Proposal for Individual Angel Tax Credits**

2010 Kentucky General Assembly



Northern Kentucky Tri-County Economic Development Corporation
300 Buttermilk Pike, Suite 332
P.O. Box 17246
Covington, KY 41017
859-344-0040

1/21/2010
Version 3.1

EXECUTIVE SUMMARY

Increasing Kentucky's Competitiveness: A Proposal for Individual Angel Tax Credits

WHO WILL CREATE KENTUCKY'S FUTURE JOBS?

Since 1980, nearly all net job creation in the U.S. economy has come from firms less than five years old. In addition, in 2007, two-thirds of new jobs came from firms one to five years old. In Kentucky, the Innovation and Commercialization Center (ICC) program has helped entrepreneurs create nearly 3,400 jobs since it began in 2002. As stated in a recent study on job creation – "Entrepreneurs are Key to Job Creation; No Startups, No Job Creation."

ENHANCING ANGEL INVESTMENT IN KENTUCKY

If entrepreneurs are key to job creation and most job creation takes place during the first five years of a startup's existence - What can Kentucky do to stimulate startups and early stage growth? Creating new entrepreneur support programs or adding funding to existing entrepreneur support programs are not feasible given 2010's economic climate and Kentucky's budget issues.

Angel investors help fuel entrepreneurial activity. Kentucky needs more angel investment activity. A modification of the Kentucky Investment Fund Act (KIFA) to increase the number of startups and the growth of early stage companies is needed. Currently, KIFA is not meeting the original legislative intent of increased angel investment activity. Only 14% of the credits have been used in 11 years. In 2009, only 6 investments were made under the program.

Individual angel investors need to have access to the investment tax credits in the KIFA program. This change will make Kentucky competitive with at least 18 other states. This change will increase angel investments in Kentucky's startups and early stage companies. Increased startups and early stage companies will lead to increased jobs in Kentucky.

A MODIFIED KIFA = 5,720 NEW JOBS

Increased angel investments will stimulate the creation of startups, as well as the growth (and survival) of early stage companies. The startups and growing early stage companies are proven to be powerful job creators. Projections estimate that the increased angel investment will lead to the creation of an incremental 5,720 jobs over a ten-year period.

STATE BUDGET IMPACT – A Positive Return on Investment

In addition to the over 5,700 jobs, the overall total financial impact is a 3.5X positive ROI for Kentucky. The \$40M in tax credits will generate a \$139.4M incremental positive financial impact - \$79.4M in incremental income taxes on payroll and \$60M in net incremental investment into the state.

THE PROPOSAL

A change in the current KIFA program to allow individual angels' access to the existing investment tax credits will stimulate angel investing which, in turn, will create over 5,700 jobs in Kentucky over the next ten years. The proposed change makes Kentucky competitive, while also having a positive return on investment for the state budget.

Increasing Kentucky's Competitiveness: A Proposal for Individual Angel Tax Credits

SECTION 1.0 WHO WILL CREATE KENTUCKY'S FUTURE JOBS?

As the chart below shows, since 1980 nearly all net job creation in the U.S. economy has come from firms less than five years old. In most years, without new and young companies, net job creation for the overall economy would be negative.¹

ENTREPRENEURS ARE KEY TO JOB CREATION

No Startups, No Job Creation

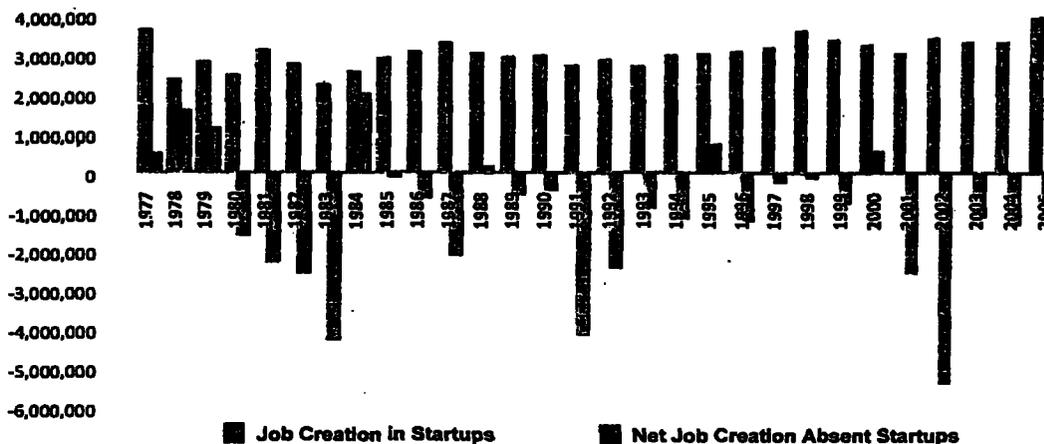


CHART 1

Source: *Business Dynamics Statistics Briefing: Jobs Created from Business Startups in the United States*.
Kauffman Foundation, January 2009.

Today, Kentucky is creating a new generation of entrepreneurs through its education system. A recent study found that four in ten U.S. young people ages 8-21 have or would like to start their own business someday. Sixty-three percent of this group believes they have the skills and ability to successfully start their own businesses.² We teach entrepreneurship at all levels of education – K-12, undergraduate and graduate level. Examples from Kentucky universities include:

- Northern Kentucky University has a nationally recognized Entrepreneurship Institute and offers a major in Entrepreneurship.
- Western Kentucky's Center for Entrepreneurship & Innovation mission is to infuse an entrepreneurial spirit among students, faculty and the community at-large and to stimulate new venture development.
- In addition to establishing the Forcht Center for Entrepreneurship in 2008, the University of Louisville offers a PhD in entrepreneurship.
- The University of Kentucky demonstrates its commitment to entrepreneurship by stating – "The Von Allmen Center for Entrepreneurship is the nexus for business development at the University of Kentucky."

Young Firms Account for the Most Jobs and the Highest Average Number of Jobs Created

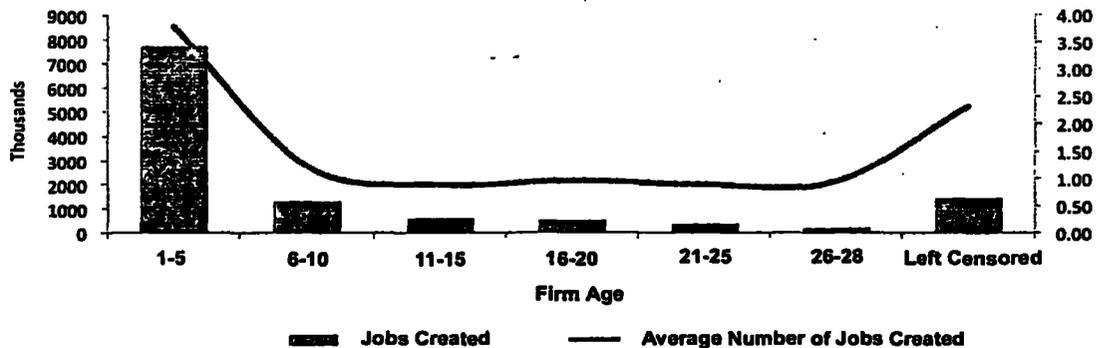


CHART 2

Source: *Where will the Jobs Come From?* Kauffman Foundation, November 2009

In addition to the fact that entrepreneurs account for all the recent net new job creation, using Census Bureau data the Kauffman Foundation found that in 2007, companies in existence for 1-5 years accounted for roughly two-thirds (approximately 8 million) of overall jobs created. This data showed that while the largest share of employment remained in the oldest and largest companies (the “left censored” category), young companies in existence from 1-5 years were adding significant amounts of new jobs to the economy. Finally, the data revealed that companies in existence 1-5 years also created the highest average number of jobs - roughly four jobs per year.³

1.1 Entrepreneurs Create Jobs in Kentucky

The data in Chart 3 is the result of Kentucky’s Innovation and Commercialization Center (ICC) program. The Cabinet for Economic Development’s Department of Commercialization and Innovation program began supporting technology-based entrepreneurs and early stage companies in 2002. The ICC program has helped entrepreneurs create nearly 3,400 jobs since it began in 2002. In fiscal 2009, the program operated with a \$2.1M budget and generated \$9.8M in incremental income tax revenue for Kentucky.⁴

ICC Performance Results 2002-2009

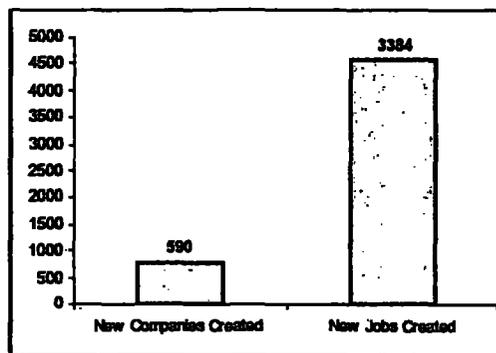


CHART 3

Source: Kentucky Science & Technology Corporation. *Annual Report to Department of Commercialization and Innovation, Kentucky Economic Development Cabinet, August 1, 2009*

SECTION 2.0 JOB CREATION IN KENTUCKY – Using an Existing Program

While Kentucky must encourage startups, we must also keep the startups alive and stimulate early stage growth during startups' first five years of existence. It is during this period that jobs are created.⁵

Ideally, Kentucky could create new entrepreneur support programs or add funding to existing entrepreneur support programs, both of which would lead to job creation, yet they are not feasible given 2010's economic climate and Kentucky's budget issues.

The existing Kentucky Investment Fund Act program (KIFA) can be modified to allow individual angels (versus requiring a formal fund) to obtain the investment tax credit. This modification will stimulate the creation of startups and also increase the survival and growth of early stage companies. The end result will be increased job creation.

2.1 Using KIFA to Increase Angel Investments in Kentucky

Angel investors are individuals with high net worth who, either alone or within a group, provide their own money as investment capital to entrepreneurs, usually at the seed and early stages. Angel investments typically target sectors with high growth potential, such as biotechnology, life sciences, research and information technology.

Whereas traditional venture capitalists have become increasingly cautious, angel investors are willing to engage in high-risk investments in hopes of higher returns. In addition to financial investment, "angels" often provide consulting advice, business expertise and additional connections to help fledgling companies grow.

And unlike formal venture capitalists, who often demand startups to relocate to entrepreneurial "hot spots," angel investors typically support local and regional business activity.⁶

Angel investors play a critical role in this process by providing both capital and guidance to the entrepreneurs.⁷ In addition to the job creation cited in Section I, a recent study by the Center for Venture Research concludes that angel investments are a significant job growth driver. The study found that in 2007, angel investments created 200,000 new jobs in the United States or about 3.3 jobs per angel investment.⁸ The report noted that these numbers are likely understated as the jobs were only tracked at the time of the angel investment and did not track post-investment job creation. The salaries of the high-tech jobs created by companies, assisted by the aforementioned Kentucky ICC program, average over \$65,000.⁹ Robust angel investment activity in Kentucky will drive growth in jobs that can even exceed \$65,000 in average annual salary.

2.2 The Importance of Angel Investment – Bridging the Valley of Death

From "day one," early-stage entrepreneurial companies' risk being victims of this so-called Valley of Death. If the company, or its founders, does not secure adequate funds to cover negative net cash flow in the months and/or years of business creation and growth, they face the likelihood of going out of business.¹⁰

Stages/Funding of Start-Ups

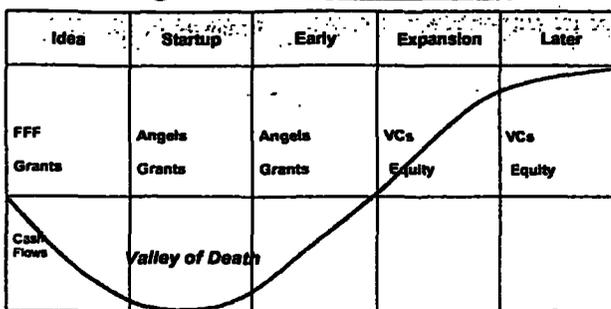


CHART 4

Source: ezzone Client Education Document, 2009

The Valley of Death is best described as the lack of investment capital available from sources outside of the three Fs (Friends, Family & Founders) and government grant support. This Valley is due to a period of negative cash flows, causing many startups to fail. This negative cash flow period increases the already high risk of investing in a startup or early stage company. Angel investors are the most likely source of investments at this entrepreneurial growth stage. Angel investors use their financial wealth and experience to help these new entrepreneurial firms grow.¹¹

If Kentucky is able to increase angel investments to assist companies in crossing The Valley of Death, the following will occur:

- An increase in out-of-state startups and early stage companies' relocations will occur as Kentucky will become known regionally and nationally for its vibrant angel stage investment activity;
- An increase in in-state startups will occur due to the reduction of risk at the Valley of Death stage; and
- A greater number of Kentucky startups and early stage companies will have a better chance at succeeding due to adequate funding.

The end result of increased angel investing is increased job creation.

2:3 Increasing Angel Investments – National trends

Nationally, many states have taken a number of approaches to stimulate angel investment activities. These include:

- Promote education seminars for current and potential angel investors;
- Assist in the creation of statewide angel group networks;
- Ensure that angel investors are well represented on economic development boards;
- Collect data to monitor the impact on policies that encourage angel investments;
- Co-invest in regional angel funds; and
- Provide tax credits for angel investments.¹² (emphasis added)

In 2000, the Kentucky General Assembly implemented a number of the state strategies in House Bill 572 – the Kentucky Innovation Act. These strategies are primarily developed and implemented through the Cabinet for Economic Development's Department of Commercialization and Innovation.

2:4 Increasing Angel Investment via State Tax Credits

Angel investment tax credit programs have two general types of programs regarding who may access the tax credits – Individual Angels or Investment Funds. Across the U.S.:

State	Individual Angels	Investment Fund	Individual Angels or Investment Fund
Arkansas	X		
Arizona	X		
Hawaii	X		
Indiana	X		
Iowa		x	
Kansas	X		
Kentucky		x	
Louisiana	X		
Maine	X		
New Jersey	X		
New Mexico	X		
New York	X		
North Carolina	X		
North Dakota	X	x	x
Ohio	X		
Oklahoma	X		
Oregon		x	
Vermont	X		
Virginia	X		
West Virginia	X		
Wisconsin	X	x	X
Total	18	5	2

Individual Angel Tax Credits – The general format of this model is used by 18 states and it is very simple for the company and the angel investor. A company applies to the state to be qualified for the tax credit program. An angel investor making an investment in a qualified company is then granted a state income tax credit for X% of the investment. The exact tax credit rate varies from state to state (for example -100% in Hawaii down to 10% in New Jersey and Vermont).

Investment Fund Tax Credits – This category is used by five states, including Kentucky. In this format, a qualified investment fund makes the equity investment in the qualified company. The fund makes an application to the state for the tax credit and distributes the credits to its investors. Tax credit rates vary from state to state (for example - Kentucky's tax credit rate is 40%).

Note: Two states allow both Individual Angel and Investment Fund access to the tax credits.

2.5 Illinois Governor Calls for Individual Angel Tax Credits

In December 2009, Illinois Governor Pat Quinn released his Illinois Economic Recovery Plan – Jobs for Today and Tomorrow. The plan calls for implementing an individual angel investment tax credit program similar to the program we are proposing for Kentucky. His plan specifically cites Wisconsin and North Carolina's successful individual angel tax credit programs:

Small businesses have a critical role in driving job-creation-and-innovation. However, the growth of new technology businesses in Illinois is hurt by not having access to seed and early stage capital. The creation of the Angel Investment Tax Credit program for state-registered and qualified early-stage venture capitalists or angel investors will fill that gap. This program will allow investors making an early-stage investment in a technology startup to receive a capped credit against his or her Illinois tax bill. A similar program is now in place in Wisconsin where for every one dollar in state tax credits provided to investors, there has been at least four dollars in private investment. Between 1999 and June 2007, North Carolina's program resulted in \$1.72 billion of new investment into the state, 35 times the state's initial investment of \$48.5 million.¹³

SECTION 3.0 KENTUCKY'S CURRENT ANGEL TAX CREDIT PROGRAM IS NOT WORKING AS ORIGINALLY INTENDED

The Kentucky legislature created the Kentucky Investment Fund Act (KIFA) in 1998. From 1998 to 2002, only one fund used the program for a total of three investments. In recognition of the economic development benefits of angel investing and in an effort to stimulate angel investing, the legislature modified Kentucky's Investment Fund Act (KIFA) in 2002. Kentucky chose to award tax credits to investment funds versus directly to individual angels. In recognition of the importance of stimulating angel investing, the legislature provided significant funding to KIFA - "... The total tax credits available for all investors in all investment funds shall not exceed forty million dollars (\$40,000,000)."¹⁴

The 2009 Kentucky Economic Development Finance Authority (KEDFA) report on KIFA¹⁵ reports on the program as follows:

- Only three funds used the program in fiscal 2009;
- Only 6 investments were made under the program in 2009; and
- Most importantly, of the \$40,000,000 provided by the legislature to stimulate statewide angel investing (and job creation), only \$6.7M (14%) of authorized credits have been used in 11 years.

The ineffectiveness of the KIFA program can be seen in the chart below that compares the results for Kentucky's and Ohio's programs. It is important to note that Ohio uses the proposed individual angel tax credits format. In addition, it is important to note that Ohio's program is much more restrictive in what industry category the companies resides in. Ohio's program is restricted to companies in the high tech sector.

Angel Investment Tax Credit Programs

(all \$ in millions)

	Ohio	Kentucky
Year Created	1996	1998
Total Credits in Program	\$30	\$40
Industry Limits	Yes	Some
Model	Individual	Fund
Tax Credit Percentage	25% or 30%	40%
Companies Approved (since inception)	442	?
Tax Credits Approved (since inception)	\$26.1	\$6.7
Private Investment in State (since inception, due to credit)	\$109.8	\$16.8
2009 Companies Approved for Funding (new to program)	72	6
2009 Investments - Companies Receiving Investment	234	6
2009 Private Investment in State (due to credit)	\$11.9	\$0.7
2009 Tax Credits Approved	\$2.9	\$0.3
2008 Companies Approved for Funding (new to program)	66	14

CHART 5

Source: Cabinet for Economic Development, Department of Financial Incentives, Kentucky Investment Fund Act (KIFA) Annual Report, October 2008 and October 2009; SRI International, Making an Impact: Assessing the Benefits of Ohio's Investment in Technology-Based Economic Development Program, September 2009; Ohio Department of Development, Ohio Economic Development Incentive Study, May 4, 2009.

In conclusion, KIFA in its current form is not stimulating the desired robust statewide extensive angel investment activity that was anticipated upon enactment of the investment fund tax credit format.

3.1 Making KIFA Successful

Legislators simply need to provide KIFA with an option to access the investment tax credits via individual angel investors. The individual angel investor would receive a personal income tax credit of 40% of their investment. This individual angel access would be in addition to the current investment fund access. This addition will provide a much needed stimulus for angel investing throughout Kentucky. Tony Shipley, founder of the nationally recognized Queen City Angels based in Cincinnati, emphatically states:

"The Ohio individual angel tax credit is an absolutely essential ingredient in getting our angel investors on board and doing deals."

Bob Frey, a Kentucky resident, a member of the Queen City Angels and an angel investor who has made investments in over 20 startups and early stage companies, states:

"I live in Kentucky but do my angel investing in Ohio because of Ohio's investment tax credit. Sure, if Kentucky offered an investment tax credit I would invest in Kentucky."

3.2 A Successful KIFA – A Job Creation Engine

The Annual Net Job Creation Projection Under Proposed Modified KIFA chart below is from the in-depth analysis that is presented in full in the accompanying Appendix. The assumptions for the analysis in the Appendix were made using results from the 2009 ICC program¹⁶, angel investment industry results data¹⁷ and other assumptions listed in the Appendix.

A modified KIFA would be a job creation engine that would create over 5,700 incremental net new jobs over ten years. Significantly more jobs would have actually been created by the KIFA modification, but companies funded by angel investments are high risk and, therefore, the analysis factors in the loss of a number of the jobs due to companies going out of business in their first three years. For example, the analysis assumes that an industry standard 50% of the angel-backed companies will go out of business in the first three years of their existence..

**Annual Net Job Creation Projection
Under Proposed Modified KIFA**

Year	1	2	3	4	5	6	7	8	9	10
New Net Jobs Year 1	147	92	150	0	61	80	106	139	183	240
New Net Jobs Year 2		147	92	150	0	61	80	106	139	183
New Net Jobs Year 3			147	92	150	0	61	80	106	139
New Net Jobs Year 4				147	92	150	0	61	80	106
New Net Jobs Year 5					147	92	150	0	61	80
New Net Jobs Year 6						147	92	150	0	61
New Net Jobs Year 7							147	92	150	0
New Net Jobs Year 8								147	92	150
New Net Jobs Year 9									147	92
New Net Jobs Year 10										147
Total Jobs	147	239	390	390	451	531	637	776	959	1,199
									TOTAL	5,720

CHART 6

Source: See Appendix: Incremental Income Tax Revenue and Jobs Created with Modified KIFA

3.3 State Budget Impact – A Positive Return on Investment

In addition to the creation of over 5,700 net new jobs, this modification in KIFA would also have a 3.5X positive financial ROI for the state.

It is estimated that the change in legislation will generate approximately \$10M in incremental investments in startups and early stage companies in Kentucky.

Year	1	2	3	4	5	6	7	8	9	10	Total
New Investment by Angel Investors	10	10	10	10	10	10	10	10	10	10	\$100M
Tax Credits to Angel Investors	4	4	4	4	4	4	4	4	4	4	\$40M
Net Incremental Investment Into State	6	6	6	6	6	6	6	6	6	6	\$60M

An in-depth analysis (see Appendix) was performed using data from last year's ICC program¹⁸ and general angel investment results data¹⁹ and it is projected that the incremental \$10M in investments will generate incremental jobs that in turn will generate incremental income tax revenues. [Notes: (1) Other business taxes are not factored in the incremental tax generated amount; (2) Economic multipliers are not factored into the incremental tax generated amount.]

Year	1	2	3	4	5	6	7	8	9	10	Total
Incremental Income Tax Revenue	0.55	1.5	3.1	4.0	5.2	6.8	9.0	12.0	16.0	21.4	\$79.4M

The combined incremental financial impact for the state: Net incremental Investment + Incremental Income Tax Revenue.

Year	1	2	3	4	5	6	7	8	9	10	Total
Net New Investment into State	6	6	6	6	6	6	6	6	6	6	\$60M
Incremental Income Tax Revenue	0.55	1.5	3.1	4.0	5.2	6.8	9.0	12.0	16.0	21.4	\$79.4M
Total Net Financial Impact on State	6.55	7.5	9.1	10.0	11.2	12.8	15.0	18.0	22.0	27.4	\$139.4M

In summary, the financial return on investment for the state is significant.

- Direct ROI – The increased jobs from the tax credits would generate \$79.4M in incremental state income tax revenue over the next ten years;
- Indirect ROI – The investment stimulated by the tax credits would also put an incremental \$60M at work in the Kentucky economy.
- Direct + Indirect ROI = \$139.4M

The overall total financial impact is a 3.5X positive ROI for Kentucky.

3.4 Other Concerns - Cabinet Staff Workload Impact

The current form of KIFA requires an initial screening and qualification of both the investment fund and the proposed company. Thereafter, the staff must review and re-qualify each fund and company that was awarded the credit on an annual basis.

The proposed modified KIFA would use Ohio as a model. The Ohio Department of Development outlines the complete process on their website using a one page document (see ATTACHMENT).

http://www.odod.state.oh.us/cms/uploadedfiles/Root/Quick_Navigation/OTITC%20Process.pdf

The Ohio model removes the requirement of tracking and re-qualifying each investor and company annually. In addition, the proposed modified KIFA legislation would require the local ICC office to market the tax credits, provide formal applications to applicants, counsel applicants and accept application submissions (Ohio uses their Edison Centers to perform a similar function). This would be a welcome addition to the ICC workload as it would further the mission of the program – Job Creation in Kentucky.

In summary, an up-tick in the number of KIFA angel tax credit applications should be expected and this will lead to incremental applications needing review. The review would be a one-time event given the proposed elimination of the ongoing annual review and re-qualification.

The increased workload on Cabinet staff is anticipated to be minimal once the program is up and running.

SECTION 4.0 CONCLUSION

A minimal change in the current KIFA program to allow individual angels' access to the existing investment tax credits will stimulate angel investing, which in turn will create over 5,700 jobs in Kentucky. The proposed change also has a significant positive return on investment for the state budget.

The following organizations have reviewed and support this proposal:

- Northern Kentucky Tri-County Economic Development Corporation
- Northern Kentucky Chamber of Commerce
- Kentucky Science and Technology Corporation, Lexington

APPENDIX

**Incremental Income Tax Revenue and Jobs Created
with
Modified KIFA**

Assumptions:

What percent of the ICC companies that have been created would be angel funded	25%	
New Jobs created statewide per the FY09 annual ICC report to DCI	680	
Jobs from angel funded companies	165	
Incremental jobs due to angel funding of ICC companies (1.5X)	83	
Companies attracted from out of state due to investment credit	8	
Average employees at investment	8	
Incremental jobs from out of state	64	
Total Incremental Jobs (ICC Increase and Out of State Companies)	147	
What percent of these angel funded companies failed after 3 years (strifeouts)	50.0%	50% Surviving Jobs
What percent of these angel funded companies job growth was 10% per year (single)	20.0%	110% Growth
What percent of these angel funded companies job growth was 30% per year (triple)	20.0%	130% Growth
What percent of these angel funded companies job growth was 50% per year (nontriple)	10.0%	150% Growth
Growth slows significantly after year 4	50.0%	
Average salary of the high tech jobs created per the FY09 annual ICC report to DCI	Avg. Salary \$ 64,828.0	3% Increase
Average income tax rate for the state	Tax 5.00%	

Incremental Income Tax Revenue

Year	1	2	3	4	5	6	7	8	9	10
Net Jobs Subject to Income Tax - Year 1	147	239	389	194	255	338	441	581	763	1,004
Net Jobs Subject to Income Tax - Year 2		147	239	389	194	255	338	441	581	763
Net Jobs Subject to Income Tax - Year 3			147	239	389	194	255	338	441	581
Net Jobs Subject to Income Tax - Year 4				147	239	389	194	255	338	441
Net Jobs Subject to Income Tax - Year 5					147	239	389	194	255	338
Net Jobs Subject to Income Tax - Year 6						147	239	389	194	255
Net Jobs Subject to Income Tax - Year 7							147	239	389	194
Net Jobs Subject to Income Tax - Year 8								147	239	389
Net Jobs Subject to Income Tax - Year 9									147	239
Net Jobs Subject to Income Tax - Year 10										147
Total Jobs Subject to Income Tax	147	385	778	883	1,224	1,560	2,001	2,582	3,245	4,249
Total Estimated Paid	\$ 9,511,932	\$ 25,788,827	\$ 83,581,323	\$ 68,726,037	\$ 89,444,249	\$ 117,396,777	\$ 153,144,850	\$ 204,168,116	\$ 273,129,349	\$ 358,437,181
Estimated State Tax Rev.	\$ 831,883	\$ 1,484,482	\$ 3,694,377	\$ 3,988,110	\$ 6,187,768	\$ 8,088,813	\$ 10,989,384	\$ 14,967,865	\$ 19,967,802	\$ 21,384,777

10YR TOTAL REVENUE: \$ 78,485,189

Incremental Job Creation

Year	1	2	3	4	5	6	7	8	9	10
New Net Jobs Year 1	147	82	150	0	61	80	106	139	183	240
New Net Jobs Year 2		147	82	150	0	61	80	106	139	183
New Net Jobs Year 3			147	82	150	0	61	80	106	139
New Net Jobs Year 4				147	82	150	0	61	80	106
New Net Jobs Year 5					147	82	150	0	61	80
New Net Jobs Year 6						147	82	150	0	61
New Net Jobs Year 7							147	82	150	0
New Net Jobs Year 8								147	82	150
New Net Jobs Year 9									147	82
New Net Jobs Year 10										147
Total Jobs	147	239	389	389	481	631	837	1,116	1,409	1,789
TOTAL										6,720

Source: Northern Kentucky Tri-County Economic Development Corporation, Barach, Casey; January 2010

ATTACHMENT

Source: Ohio Department of Development; January 2010

Ohio Technology Investment Tax Credit (OTITC) Process

STEP 1: Entity Application
New companies must complete an Entity Application and submit to Edison Center before the monthly deadline. Approvals are for 1 year. Fee \$150

Or

Previously approved entities can reapply up to 60 days after expiration by submitting application to ODOD before the monthly deadline. Approvals are for 6 months. No Fee

For more information please contact:
Ohio Department of Development (ODOD),
Technology Division
77 South High Street, 25th Floor P.O. Box 1001
Columbus OH 43215
614-486-3897 or Tech@odod.state.oh.us
www.odod.state.oh.us/tech/tic/

STEP 2: Investment Application(s)
Each investor must submit an Investment Application for each investment into each approved entity. Fee \$200 for each investment application or \$800 for up to 20 applications if filed simultaneously.

The OTITC Committee reviews and approves/disapproves all Entity, Requalification and Investment Applications on the first Thursday of each month. A new entity and investments for that entity can be approved at the same meeting. Callers are mailed after the meeting to verify approval.



STEP 3: Make and Document Investment

Once the Committee approves both the Entity and Investment Applications, the Entity can then accept the investment.



STEP 5: Receive Tax Credit
Within 60 days of receiving a completed Tax Credit Certificate Request Form, ODOD will mail out the tax credit to the investor

STEP 4: Submit Tax Credit Certificate Request Form

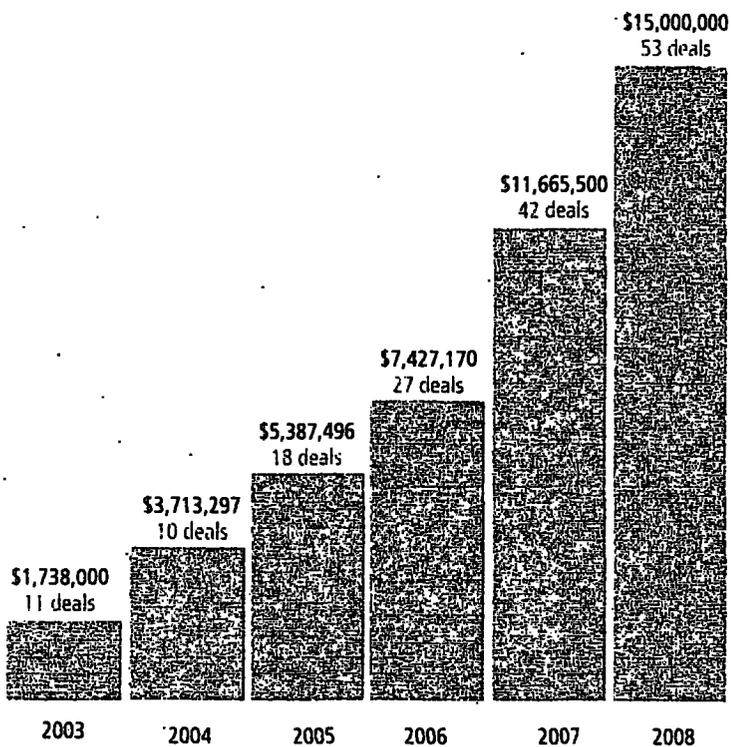
Each approved investment must be made, and the Tax Credit Certificate Request Form must be received within 120 days from the date that the committee approves the investment. Failure to submit this form in the given timeframe will cancel the credit without notice.

This illustration is meant to be a conceptual representation of the Ohio Technology Investment Tax Credit program and does not represent all of the requirements of the program.

Revised 7-25-07

- ¹ *Business Dynamics Statistics Briefing: Jobs Created from Business Startups in the United States*.
Kauffman Foundation, January 2009
- ² Harris Interactive Survey (sample size 2,438), July/August 2007
- ³ *Where will the Jobs Come From?* “Kauffman Foundation, November 2009
<hereinafter *Where will the Jobs Come From?*>
- ⁴ Kentucky Science & Technology Corporation *Annual Report to Department of Commercialization and Innovation, Kentucky Economic Development Cabinet*, August 1, 2009 <hereinafter *KSTC Annual Report*>
- ⁵ *Where will the Jobs Come From?*
- ⁶ Midwestern Office of the Council of State Governments – Firstline Midwest, *Calling All Angels*, April 2009
- ⁷ NGA Center for Best Practices, *State Strategies to Promote Angel Investments for Economic Growth*, Issue Brief. February 14, 2008
<hereinafter *State Strategies*>
- ⁸ Center for Venture Research, *The Angel Investor Market in 2007: Mixed Signs of Growth*
- ⁹ *KSTC Annual Report*
- ¹⁰ *A Biz Dev Look at the Valley of Death, StrategicVisions*, http://strategicvisions.org/A_Biz-Dev_Look_at_the_Valley_of_Death.pdf
December 17, 2009 <hereinafter *Valley of Death*>
- ¹¹ *Valley of Death*
- ¹² *State Strategies*
- ¹³ *Illinois Economic Recovery Plan – Jobs for Today and Tomorrow*, December 2009
<http://www.illinois.gov/publicincludes/statehome/gov/documents/Illinois%20Economic%20Recovery%20Plan%20Final.pdf> - January 12, 2010
- ¹⁴ KRS 154.20-255(1)
- ¹⁵ Cabinet for Economic Development, Department of Financial Incentives, *Kentucky Investment Fund Act (KIFA) Annual Report* - October 15, 2009
- ¹⁶ *KSTC Annual Report*
- ¹⁷ *The Insider Secrets of Angel Investing (Angel Investing 101)*, Rose, David & Stern, Allen, April 11, 2008
<http://www.centernetworks.com/angel-investing-secrets> - December 22, 2009 <hereafter *Insider Secrets*>
- ¹⁸ *KSTC Annual Report*
- ¹⁹ *Insider Secrets*

ANGEL NETWORK INVESTMENT DOLLARS IN WISCONSIN





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Testimony of Elliot Ginsberg

Connecticut Center for Advanced Technology, Inc.

Before

Commerce Committee

March 9, 2010

Regarding

Proposed H.B. No. 5435 - An Act Concerning the Recommendations of the Majority Leaders' Job Growth Roundtable

Good afternoon Senator LeBeau, Representative Berger, and members of the Commerce Committee. My name is Natalie Real, and I am the Chief Administrative Officer and appear on behalf of Elliot Ginsberg, President and Chief Executive Officer of the Connecticut Center for Advanced Technology, Inc (CCAT) which houses our Entrepreneur Center in East Hartford. As a member of the Majority Leaders' Job Growth Roundtable, Elliot would like to thank Chairmen LeBeau and Berger for their time and effort serving on this committee working to create jobs and provide for the economic future of this state. Proposed H.B. No. 5435 represents some of the group's recommendations, which, when combined with other recommendations addressing education, transportation, and energy, provides a comprehensive package for the State.

Today we speak in support of this bill, recognizing that some sections may still require greater clarification of the drafted language. Specifically, let me focus and address five sections: 1, 3, 5, 6, and 9. First, we support a threshold recommendation of the Roundtable Section 1, which provides that Connecticut Innovations shall work with a nonprofit corporation providing services



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and resources to entrepreneurs and businesses to operate a preseed funding program. CCAT supports the leadership group's recommendation of separating preseed from seed activities. This has worked successfully in other states and is seen as a best practice. In addition, CCAT supports a comprehensive capital pathway to establish, grow, maintain, and sustain high technology small businesses which represent the foundation of economic growth. I would like to point out that CCAT has worked with entrepreneurs since we were incorporated, having always recognized the important role that high tech small businesses and innovation play in the economic vitality of our State. CCAT has created incubator space for entrepreneurs working on advanced technologies, and worked to see the creation of the Connecticut Business Incubator Network, which CCAT continues to facilitate. Through our Entrepreneur Center, we provide an array of services and resources to the high tech entrepreneur. We have worked with hundreds of companies to facilitate business connections through our matchmaking, mentoring and internship programs; education and training through our seminars and webinars; and funding opportunities through the Small Business Incubator Program and strategic partnerships with regional investors, including Connecticut Innovations. In addition, we continue to leverage the utilization of our federal resources and the integration of subsidizing services through our funded laboratories in laser application, modeling and simulation, and advance machining.

Second, we again support the specific Roundtable recommendation of Section 3, which provides for tax credits for angel investors. CCAT recognizes the important role that angels have played in the growth of Connecticut's high tech small businesses. CCAT works closely with the Angel Investor Forum, because we appreciate that angel investors have been an important player in the



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preseed/seed phase of an entrepreneur's growth. We join others in believing that a tax credit will have a major impact on the number of deals made as well as the number of angels interested in investing in Connecticut's small businesses.

Third, we support Sections 5 and 6 in their intention to provide matching grants to federal Small Business Innovation Research (SBIR) grant recipients. SBIR funding can be a strategic resource for a company at any stage of development and growth; however it plays a particularly important role for high tech companies at the preseed stage. These investments are best when made as matching grants to SBIR awarded companies. As such, the language of these sections should insure that Connecticut Innovations in conjunction with the non-profit organization providing preseed services and resources are providing coordinated funds directly to the recipient companies.

Lastly, we support the Roundtable recommendation in Section 9, which provides that State dollars should strive to leverage federal resources. CCAT has a history of leveraging federal dollars to work with the State on economic development efforts. For example, CCAT has leveraged federal funds to increase productivity and top line growth for Connecticut's small to medium size manufacturers. CCAT is well positioned to continue in this regard, and, by virtue of our depth in technology leadership and synergy with our existing national and state-focused initiatives, we can bring even greater value to this effort.



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In summary, Proposed H.B. No. 5435 provides the opportunity to focus attention on innovation and entrepreneurship as an important economic development driver. We thank the Majority Leaders' Job Growth Roundtable for their efforts in this regard. CCAT looks forward to building on the success we have had working to provide services and resources to Connecticut's high tech small businesses, collaborating with the State, Connecticut Innovations and other capital investors to support the growth of this sector. We believe that this bill will serve to strengthen a critical element of technology-led economic development and raise Connecticut to be among those states that show a coherent, state-wide initiative focused on entrepreneurship as a potential job creation and growth driver. All of us at CCAT are ready to participate.

Thank you.



David R. Pepin
CHAIRMAN

17

Connecticut's Technology Sector Situation Assessment

April, 2007

**CONNECTICUT HAS ABUNDANT RESOURCES, YET ITS TECHNOLOGY SECTOR
LAGS MOST OTHER STATES AND IS IN DECLINE...**

CURRENT SITUATION

- Connecticut ranks in top ten states on measures of capacity for New Economy development
- Connecticut ranks 50th in pace of growth for Entrepreneurial and Business Vitality between 1992 and 2002

Source: *Connecticut's New Economy Benchmarks, Fall 2003* - CERC & DECD

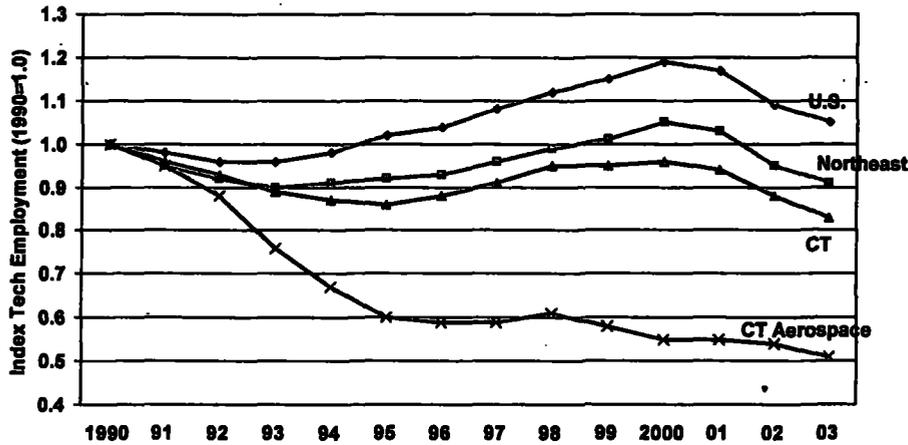
- Ranked 48th among the best states for entrepreneurs in 2006, down from 43rd in 2005 – *Entrepreneur AND NPRC's 2006 Hot Cities for Entrepreneurs*
- Not a single city featured in the list of America's 50 Hottest Cities for 2007 - *Expansion Management survey, Dec 2006*
- Ranked 48th on the basis of growth in Real Gross State Product by State, 2001-2005 - *US Bureau of Economic Analysis*
- Connecticut sees continued decreases in overall high technology employment
 - Currently down to 200,000 jobs from a peak of 240,000 jobs – *CERC 2004*
- Connecticut does not have comparable early stage capital including angel, pre-seed and seed capital - *Report to CT Tech Transfer and Commercialization Advisory Board by Innovation Associates Inc, Oct 2004*
- Mild to flat populations and employment growth
 - Population index of 1.1 in CT vs. 1.7-1.9 in the South & West – *CERC 2004*
- New firm formation is 25% lower than the Northeast and 10% lower than the US – *US SBA*
- SBIR grants to CT firms have declined by more than 50% - *US SBA, US Bureau of Labor Statistics*
- Other states are NOT standing still
 - Minnesota – Joint research initiative of University of Michigan and Mayo Clinic
 - St. Louis, Missouri – Over \$1B in new venture capital invested since 2000
 - Ohio – “Ohio's Third Frontier” (\$1.6B in stem cells/biomed)
 - Iowa – Pledged new \$150M Seed/Start-up Fund
 - New Jersey – Battelle Ventures \$150M Seed/Start-up Fund

000651

EMPLOYMENT TRENDS ARE BELOW NATIONAL AND REGIONAL AVERAGES...

JOB CREATION

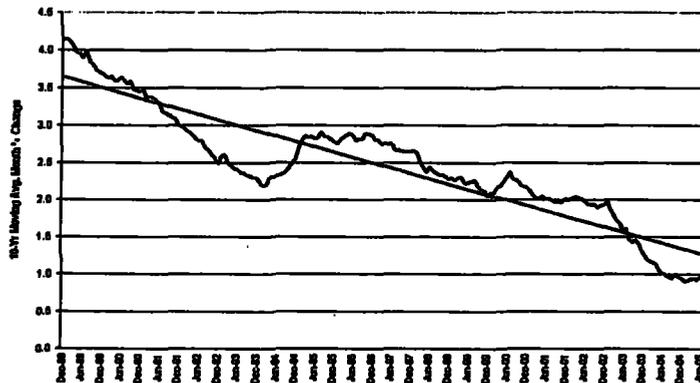
Technology Industry Employment



Observations

- Between 1989 & 2004 CT had no net job growth
- Job growth has been in lower paying industries such as hospitality
- Technology sector employment is declining more quickly relative to other states
- Small businesses account for approximately a third of CT's employment base

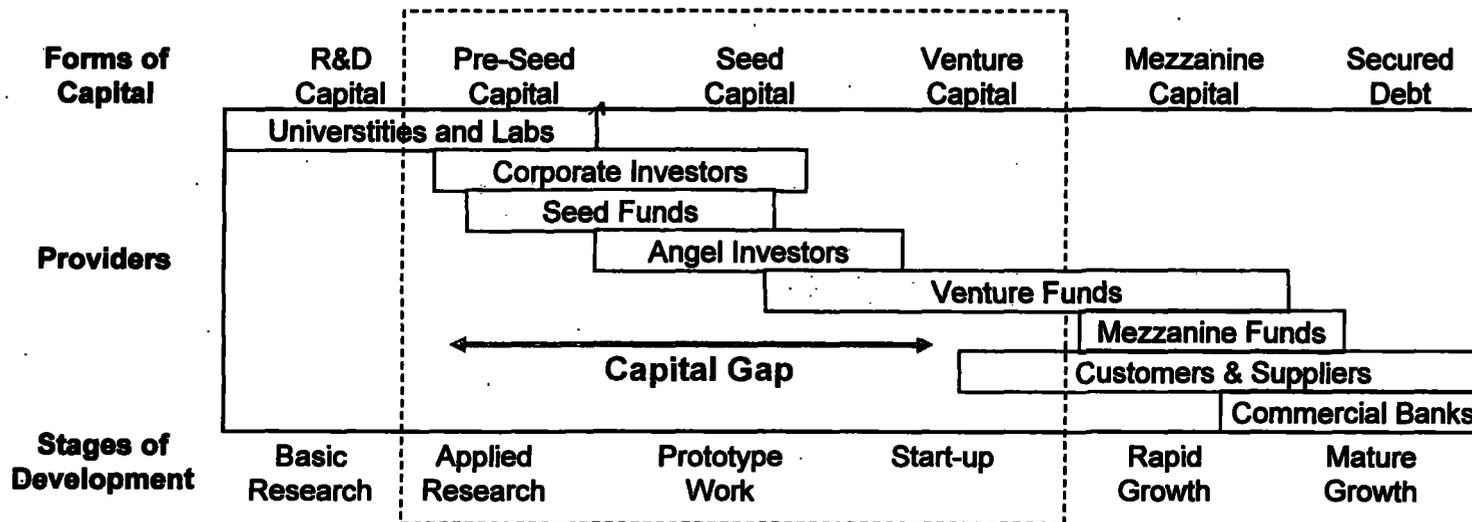
Monthly employment growth trend



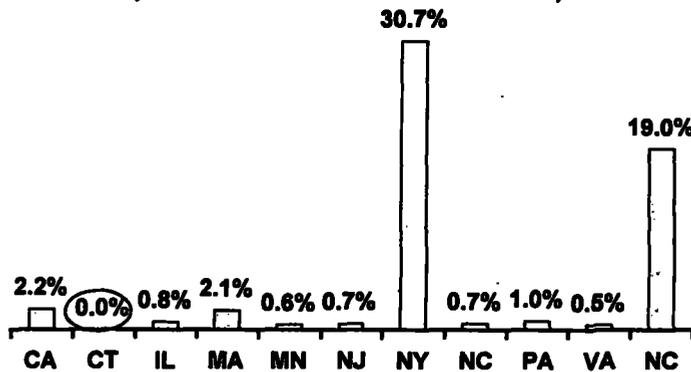
Source: Economy.com; CT Dept of Labor; Calculations by CERC

INADEQUATE EARLY/ SEED STAGE CAPITAL ...

CAPITAL AVAILABILITY



Start-up/ Seed Stage VC
(% of State VC 2005 Investment)



Source: PricewaterhouseCoopers, National Venture Capital Association

Observations

- Investments in Connecticut are a tenth of Silicon Valley in terms of the number of investments and amount invested
- Most of the capital in CT is invested outside the state
- No private VC firms specifically targeting CT ventures
- Most CT investments are in the area of later stage expansions

000653

CONNECTICUT RANKS NEAR THE BOTTOM AMONGST THE 10 LEADING TECHNOLOGY STATES ...

BENCHMARKS

Metrics	Expenses (\$ Millions) per patent issued to state institutions	Expenses (\$ Millions) per start-up initiated from state institutions	Percentage of total US patents granted	Percentage of total US patents granted Delta vs '95	Percentage of High School seniors planning to major in Computer, Engineering or Information Science	Engineering Degrees awarded per 100,000 residents	Business Incubators per 10,000 business establishments	Rapidly Growing firms i.e. 20% YoY for 5 years	VC Investments (\$ Millions)
Period	1995-2004	1995-2004	2005	vs. 1995	2005	2005	2005	2000-2005	2005
CA	\$ 6.7	\$ 72.6	23.0%	6.8%	12%	44	1.3	379	\$ 10,633
CT	\$ 11.1	\$ 99.0	1.9%	-0.9%	9%	29	0.9	29	\$ 186
IL	\$ 11.4	\$ 110.4	4.0%	-1.3%	13%	37	0.9	124	\$ 293
MA	\$ 7.0	\$ 68.2	4.1%	0.1%	11%	76	1.9	145	\$ 2,455
MN	\$ 8.9	\$ 89.1	3.2%	0.2%	14%	26	1.8	65	\$ 231
NC	\$ 9.1	\$ 78.4	2.2%	0.4%	13%	31	1.9	44	\$ 472
NJ	\$ 6.6	\$ 62.4	3.7%	-1.3%	10%	37	0.7	115	\$ 947
NY	\$ 8.2	\$ 92.9	6.8%	-1.7%	10%	48	1.7	154	\$ 1,074
PA	\$ 9.8	\$ 77.4	3.4%	-1.3%	10%	51	1.8	124	\$ 470
VA	\$ 9.0	\$ 51.1	1.3%	-0.2%	14%	51	2.2	182	\$ 413
CT Rank	9	9	9	6	10	9	8	10	10
Source:	Assoc. of Technology Managers	Assoc. of Technology Managers	US Patent & Trademark Office	US Patent & Trademark Office	The College Board	American Assoc of Engineering Societies	Commonwealth of MA	Inc. Magazine	PwC/ NVCA/ MoneyTree Survey

... AND EMPLOYMENT TRENDS, AND INVESTMENTS IN CRITICAL CLUSTERS IS DISCOURAGING ...

BENCHMARKS

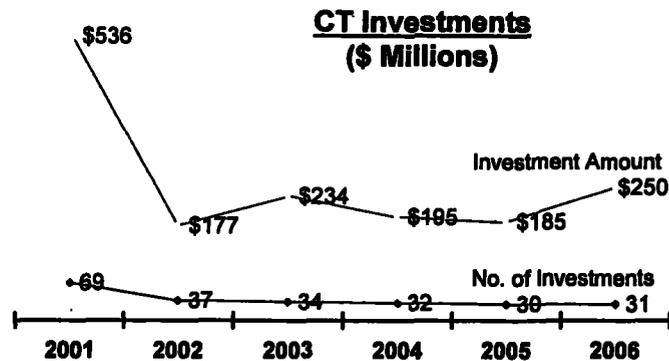
Cluster Employment 2004-2005
(% change)

Clusters	MA	CA	CT	IL	MN	NJ	NY	NC	PA	VA
Computer & Comm Hardware	(0.4)	(1.6)	(3.3)	(2.3)	(1.2)	(1.4)	(5.2)	(0.8)	(1.3)	4.5
Defense Mfg & Instrument.	(1.8)	(0.3)	0.3	0.8	1.9	-	3.3	6.2	1.0	4.1
Diversified Ind. Support	(4.7)	(1.0)	(1.5)	(1.0)	0.2	(1.6)	(2.9)	(1.0)	(1.2)	1.6
Financial Services	(0.3)	1.8	-	0.3	1.4	1.1	2.0	2.2	(0.2)	0.5
Healthcare Technology	(0.7)	1.7	(0.3)	(2.2)	4.3	(2.9)	(0.7)	2.1	(0.5)	1.5
Sci, Tech & Mgt Services	5.4	7.0	0.2	4.1	1.7	4.2	2.2	6.4	5.5	14.1
Business Services	1.5	3.1	-	2.1	(0.9)	(0.3)	1.7	2.9	0.7	3.9
Post Secondary Education	-	4.8	2.9	5.1	2.7	(0.1)	1.1	1.4	3.3	3.8
Software & Comm. Services	1.9	0.4	(1.1)	(0.3)	(0.9)	0.2	(0.3)	2.5	(0.3)	(0.9)
Textiles & Apparel	(4.9)	(6.6)	(7.7)	(3.7)	(3.1)	(10.4)	(9.8)	(10.8)	(11.2)	(9.6)

Source: *Moody's Economy.com*

Observations

- Significant employment losses in CT's IT sector
- Only 31 investments in CT technology companies, compared to 1,046 in Silicon Valley and 381 in New England in 2006
- The seed/early stage of investing in CT has virtually disappeared with only 2 investments in '06
- Nationally seed/early stage investing increased 16% in deals and 11% in dollars while it reversed in CT



Source: PricewaterhouseCoopers, National Venture Capital Association

THE KEY NEEDS FOR A TECHNOLOGY-BASED ECONOMY ARE: "TECHNOLOGY, TALENT AND CAPITAL"...

Key Best Practices/Professional Recommendations

Battelle TPP – Best Practices

- **Engage Universities with Active Leadership**
- **Building entrepreneurial cultures with intensive networking across sectors and with industry**
- **Quality of life amenities**
- **Available capital covering all stages of business cycle**
- **Discretionary Federal or other R&D funding**
- **Workforce and talent pool**
- **Access to specialized facilities and equipment including technology infrastructure**
- **Supportive business, tax and regulatory policies**
- **Patience and a long-term perspective**

Innovation Associates - Recommendations

- **Initiate Aggressive Courting of Federal Funds to support Targeted Initiatives**
- **Explore Development of Innovation Ventures Center**
- **Increase Angel & Seed Capital**
- **Enhance Networking Capacity**
- **Educate Policy Makers**
- **Increase Corporate Role in Universities**
- **Develop Strategic Plan at UCONN**
- **Enhance Entrepreneurial Development Activities at UCONN and Yale**
- **Encourage Collaborative R&D between Yale, UCONN and Regional Universities**
- **Implement "It's Time to Come Home" Campaign**
- **Create Permanent Technology Transfer Advisory Board**
- **Engage Bi-Partisan Support and Involve State Legislators**

BATTELLE'S TECHNOLOGY PARTNERSHIP PRACTICE RECOMMENDED A FIVE-POINT APPROACH TO ADDRESSING RISK CAPITAL IN CT...

Battelle TPP – Addressing Risk Capital

- Use State's general and pension funds to invest privately managed venture funds
- Offer State assistance to firms to leverage Federal SBIR funds
- Provide technical assistance to companies to better access private financing sources
- Offer R&D tax incentives
- Form pre-seed/seed or later stage funds

THERE ARE MANY STATES DOING IT BETTER... ST LOUIS COULD SERVE AS A COMPARABLE MODEL ...

ST LOUIS

Case Study

- **Developed the St Louis Capital Alliance to develop a vibrant venture capital environment**
- **St Louis raised over \$300 million in venture capital for plant and life sciences from philanthropic and private investors**
- **Separate Proof of Concept fund and Pre-Seed Funds**
- **Establishment of "Arch Angel" Fund**

Results

- **Approximately \$1 billion of venture capital invested since 2000**
- **Five St Louis companies have made it onto Business Week's "Hot Growth" list**
- **St Louis is home to two of the five finalists in the 2005 Ernst & Young Entrepreneur of the year award for the Central Midwest region**
- **Three St Louis firms made Fortune magazine's 2005 top 100 fastest growing small public companies in America**

NEW COMMERCIALIZATION FOCUSED MODEL ...

Case Study

BATTELLE VENTURES

- **Firm**
 - Established in 2003; Based in Princeton, NJ
 - \$150MM under management
 - Focus on Life Sciences, Homeland Security, IT, Materials & Energy
- **Structure**
 - 1 Fund
 - Team – 4 GP's, 2 Associates, 1 CFO
 - Advisory Board – N/A
 - Commercializes technologies that emerge from Battelle Memorial Institute and the laboratories that Battelle manages or co manages for the U.S. Department of Energy.
- **Approach**
 - Non linear model for product innovation
 - Use state general and pension funds to invest in privately managed funds
- **Results**
 - Invested in 4 companies in first 12 months

000659

TRADITIONAL VC MODEL STRUCTURE...

Case Study

APEX VENTURE PARTNERS

- **Firm**
 - Established in 1987; Based in Chicago, IL
 - Initial "quasi-public" seed fund of \$10MM
 - \$500MM under management
 - Focus on early stage investments in enterprise applications & services, IT infrastructure, and telecommunications
- **Structure**
 - 5 Funds
 - Team - 7 GP's, 3 Staff
 - Advisory Board - 6
 - Invest in companies having the greatest potential for value creation, regardless of geography
- **Results**
 - Invested in 110 companies



Joan McDonald
Commissioner



State of Connecticut
Department of Economic and
Community Development

TESTIMONY SUBMITTED TO THE COMMERCE COMMITTEE
March 9, 2010

Joan McDonald
Commissioner, Department of Economic and Community Development,
Chair of Connecticut Innovations

HB 5435 ACT CONCERNING THE RECOMMENDATIONS OF THE MAJORITY
LEADERS' JOBS GROWTH ROUNDTABLE INCORPORATED

As Commissioner of the Department of Economic and Community Development and Chair of Connecticut Innovations, I offer the following comments concerning certain sections of HB 5435. The mission of DECD and CI has always been to advance public policy and programs that support an entrepreneurial climate and make Connecticut a place where businesses want to locate and entrepreneurs want to start ventures. Connecticut is already on the map when it comes to supporting entrepreneurs – twenty years ago it created Connecticut Innovations to provide much needed capital to technology entrepreneurs. CI is now nationally recognized, a best practice in technology-based economic development.

Regarding sections 1 through 3 we offer conditional support regarding the provisions concerning the Pre-Seed Development fund and Angel Investment Tax Credits. As you may be aware both of these initiatives were part of the recommendations presented in the Talent and Technology section of DECD's Economic Strategic Plan. Although the state's budget outlook does not allow us to provide such funding and credits now, they may be a viable option in future years.

CI's pre-seed support service program offers a broad range of support services, mentoring, funding for business assistance, incubator space and access to our network of strategic partners, business advisors and venture investors. To date, 17 companies have benefitted from the pre-seed support services program and CI is working with 2 universities, the University of Hartford and UCONN, on various projects that promote commercialization and support student entrepreneurs launch their ideas into companies. Through this program, CI launched C-Tech, a technology business incubator in New Haven that has been filled to capacity since launch.

I mention all of these activities to demonstrate to you that CI is fully engaged in the pre-seed sector. Because of this, we do not support the provision that would require CI to

contract with another organization to operate the pre-seed program called for in Section 1.

Section 4 of the bill adds a member of an angel investor group to CI's Board of Directors. We do not believe that provision is necessary as CI currently has two angel investors on its board.

With regard to section 6 of the bill, while we support the concept of marketing Connecticut as a state which supports innovation, we believe the state is better served by a broader economic development marketing effort that would encompass all aspects of economic development. This concept was also a recommendation in DECD's Economic Strategic Plan, in the Cultivate Competitiveness section.

DECD's Office of International and Domestic Affairs is committed to assisting companies compete in the global marketplace, whether it is helping a company reach new markets or raising awareness of the many export opportunities that may help a business thrive and grow. Concerning section 9, I would offer that DECD already has a great partnership with the U.S. Department of Commerce, one that we will continue to strengthen in the months and years to come.

Regarding the provisions of Section 11, DECD and CI strongly oppose the provision being added to the jobs creation tax credit program that requires companies provide health care benefits to their workers as a prerequisite to accessing the credits. By restricting eligibility in this fashion the effectiveness of the credits will be greatly diminished and ultimately mean fewer jobs being created in Connecticut. We would strongly urge the committee to consider using the bill proposed by Governor Rell, **SB 23 AN ACT ESTABLISHING A QUALIFIED SMALL BUSINESS JOB CREATION TAX CREDIT** which is a viable model for improving this program and stimulating job growth.

Finally, we would oppose the repeal of several business tax credits contained in Section 15 of this bill, especially the tax credit for expenditures for grants to institutions of higher education for research and development related to technological advancements. We believe this tax credit in particular fosters deeper connections with institutes of higher learning which are essential to sustaining and expanding the innovation and knowledge economy. Absent a study on the viability of these tax credits and the impact to the state, we believe this to be premature as it may diminish the tools available to retain, attract and grow businesses here in the state as well as foster innovation.

Thank you for your consideration of these comments.



EGen LLC
1084 Shennecossett Road
Groton, CT 06340

Dear Committee Members:

Please accept this testimony as my wholehearted endorsement for **Raised Bill No. 5435 specifically the Angel Investor Tax Credit and the Connecticut Innovations Sidecar Fund**

In today's global economy it is important that the legislature demonstrate its strong interest in supporting innovation and a technology based economy for its entrepreneurial community and is willing to generate investment from inside and outside its borders by supporting and rewarding those investors committed to Connecticut and technology innovation.

As a seasoned serial entrepreneur with several successful start ups I can tell you that these tools will be invaluable to your efforts to rebuild our innovation economy and the high value jobs it provides. My past successes and current activities include not only more than 70 patents issued but the follow business activities:

Joel Douglas

1996-1999 – Amira Medical (medical device industry)

Co-Founder, CTO and Board member of a privately held corporation, Amira Medical (formerly Mercury Diagnostics) pioneered proprietary technology enabling users to draw a small blood sample from areas of the body other than the fingertips. Amira was acquired by Roche Diagnostics in 2001.

1999-2001 - { HYPERLINK

"http://www.linkedin.com/companies/sterling?trk=ppro_cprof&lnk=vw_cprofile" & " _blank" } (medical device industry)

Co-Founder, CTO and Board member of a privately held corporation that developed innovative insulin delivery products for people with diabetes. On December 31, 2001, SpectRx acquired Sterling Medivations' portfolio of FDA-cleared insulin delivery products, including consumables.

2003-2008 – MysticMD (Nanotechnology industry)

Co-Founder, CTO and Board member of an early stage advanced materials company developing proprietary conductive coating solutions using formulations of carbon nanotubes alloyed with traditional materials and/or other nanoparticles to dramatically improve products, making them better, less expensive, and easier to manufacture.

2008 – Present eGen LLC (Renewables & Environment industry)
Co-Founder, CTO and Board member of an innovative company that builds power generation equipment using the Magnus Effect to create both power and hydrogen generation.

I encourage you to pass this bill and others that support the Angel Tax Credit and Side Car Fund. It will keep Connecticut residents and graduates interested in innovation and entrepreneurship in Connecticut. As a UCONN engineering alumnus I am glad to be here in Connecticut with my companies, but struggle to support their investment needs.

Sincerely,



Joel Douglas



198 Park Road, 2nd Floor
West Hartford, CT 06119
(860) 231-8842
www.EnvironmentConnecticut.org

Written Testimony of Christopher Phelps
Environment Connecticut Program Director
Supporting House Bill 5435, An Act Concerning The Recommendations Of The Majority
Leader's Job Growth Roundtable

Before the Connecticut General Assembly Commerce Committee
Tuesday, March 9, 2010

Senator LeBeau, Representative Berger, and members of the Committee:

On behalf of Environment Connecticut, I am submitting this testimony supporting HB 5435. Environment Connecticut is a statewide, member-supported non-profit environmental advocacy organization. One of our top priorities in 2010 is promotion of policies to create and retain jobs in Connecticut's clean energy economy. We applaud the committee for considering this job-focused legislation and offer the following comments for your consideration. These proposals would support job growth in clean energy and other sectors promoting a clean, healthy environment. These ideas also directly meet many of the policy goals identified in the recent report of the Majority Leader's Job Growth Roundtable.

Clean Energy Jobs:

- Establish sustainable renewable energy incentive programs that move beyond limited direct subsidies in the form of grants and rebates. For example, HB 5362, AAC Renewable Energy establishes (in sections 3 and 4 of that bill) a market-based incentive program for development of over 300 megawatts of solar power in Connecticut. Such a mechanism would, at no cost to the state, support creation of over 1,200 new jobs tied to the solar industry in Connecticut. (Job-creation estimate based upon analysis by the non-profit group Vote Solar using the National Renewable Energy Laboratories PV Jobs and Economic Impacts Model.)
- Authorize creation of bond-funded municipal clean energy and energy efficiency loan funds. Such a program, modeled on successful and innovative "Property Assessed Clean Energy" (PACE) initiatives in jurisdictions nationwide involves creation of revolving loan pools at the municipal and regional level. Such loan pools are funded through municipal bonding and used to offer low-interest loans to local homeowners and small businesses investing in clean energy systems and energy efficiency improvements.

Such programs provide the dual economic benefit of cutting energy bills for residential and business customers and promoting the creation and retention of local jobs in clean energy businesses.

Environment Connecticut is a non-profit, member-supported environmental advocacy organization working for clean air, clean water and open spaces.
www.EnvironmentConnecticut.org / www.facebook.com/EnvironmentConnecticut

- Create new “virtual net metering” programs allowing for community-based sharing of the benefits of solar, fuel cells, and other renewable energy generation systems between residents, businesses, houses of worship, and other customers within neighborhoods and municipalities. This allows consumers who otherwise would be unable to install renewable energy systems to gain benefits from such systems.

Agricultural Jobs:

- Establish a Farm Training & Infrastructure Match Program funded with a combined \$1.5 million in state bond funding and prioritizing programs eligible for federal matching funding. The program would provide grants supporting agriculture workforce training and capital investment benefiting Connecticut agricultural producers.

Transit-Oriented Jobs:

- Require the Department of Economic & Community Development and Connecticut Development Authority to prioritize granting of tax credits, business incentives, loans, etc., to businesses expanding operations and hiring employees at job sites located in proximity to existing bus and rail transit lines.

Clean Water Jobs:

- Enable municipalities to create stormwater authorities to fund measures to reduce stormwater pollution and meet Clean Water Act obligations.
- Support investment in sewage treatment plant and infrastructure upgrades. Such initiatives create and retain local jobs, reduce pollution flowing into the state’s waterways and Long Island Sound, and can leverage available federal funds.

We urge the legislature to support legislative proposals such as these that can stimulate growth of jobs in business sectors that benefit both the state’s environment and economy. Thank you again for the opportunity to offer this testimony and comments supporting House Bill 5435.

Sincerely,

Christopher Phelps
Program Director
Environment Connecticut

Environment Connecticut is a non-profit, member-supported environmental advocacy organization working for clean air, clean water and open spaces.

www.EnvironmentConnecticut.org / www.facebook.com/EnvironmentConnecticut

SENATOR MARTIN M. LOONEY
MAJORITY LEADER

Eleventh District
New Haven & Hamden



State of Connecticut
SENATE

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Hartford, Connecticut 06106-1591
132 Fort Hale Road
New Haven, Connecticut 06512
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Capitol: 860-240-8600
Toll-free: 1-800-842-1420
www.SenatorLooney.cga.ct.gov

①

March 9, 2010

Good afternoon Senator LeBeau, Representative Berger and members of the Commerce Committee. I am here today to testify in support of HB 5435, AN ACT CONCERNING THE RECOMMENDATIONS OF THE MAJORITY LEADERS' JOB GROWTH ROUNDTABLE.

We are just beginning to see the way out of the devastating economic crisis of the past two years; assisting small businesses is the best way to create jobs in the current "jobless recovery". This legislation as well as SB 1 and HB 5368 will help Connecticut take a major step toward economic recovery.

This bill, among other things, establishes a \$12 million bond funded program to fund pre seed projects, authorizes tax credits for angel investments, and strengthens the job creation tax credit. The changes in the job creation tax credit

would extend the credit to subchapter S businesses and limited liability companies, reduce minimum job creation required from 10 to one, increase total authorized credits from \$10 million to \$25 million and authorize credits against gross premium tax for investments in funds investing in Connecticut businesses. The bill would also allow funding under the Manufacturing Assistance Act for exporting assistance and allow school construction funding for energy efficiency improvements.

These changes would create a business friendly atmosphere which would foster innovation as well as job creation. Thank you for raising this important legislation which emerged from the three months of research, discussion, and consideration of possible initiatives to stimulate job growth in Connecticut undertaken by the cross-section of scholars, legislators and business development specialists who convened as the Majority Leaders' Job Growth Roundtable.

Saltash Partners LLC

Investing in American Ingenuity

Marc Louargand

Principal

February 27, 2010

Distinguished Members
of the Connecticut General Assembly
In Support of Bill No. 5435, 307 and 323

*Re: AN ACT IMPLEMENTING THE RECOMMENDATIONS OF THE
PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE
CONCERNING ANGEL INVESTORS AND PROGRAMS IMPLEMENTED
BY CONNECTICUT INNOVATIONS, INCORPORATED.*

Honorable Chairman and members of the Committee:

My name is Marc Louargand. I reside at 1189 Prospect Avenue in West Hartford, CT. I am an active Angel investor and a member of the Board of Directors of the Angel Investor Forum of Connecticut. I am an economist and former professor of finance and real estate at the University of Massachusetts and MIT. I am retired from an institutional investment firm I co-founded which is headquartered in Hartford with offices around the globe and over 100 employees in Hartford. My career has focused on understanding local, regional and national economies and property markets.

Despite much focus by economic development groups on the relocation of large firms to bring jobs to their geography, such efforts bring rare successes and they come at high cost. Extensive research in the past three decades has shown that most job growth comes from small firms. Many of these firms are in growth industries but the vast majority of rapidly growing firms are in mature industries. Innovation drives these firms and their job growth. These are exactly the type of firms that are the focus of Angel investors.

The establishment of an Angel investment tax credit will substantially increase the ability of investors to fund small, high growth firms. Alternative efforts to support growth by focusing on specific industries are helpful but they miss the majority of job-creating enterprise. A generic tax credit supports growth in all industries. At the Angel Investor Forum, we try to invest in local firms but also find opportunities elsewhere. The presence of an investment tax credit would tip the scales in favor of a local investment on many occasions when the decision between opportunities might go another way.

Angel investors have limited resources. An investment tax credit would stretch those resources and allow additional investments from the same allocation amount. A twenty-five percent tax credit would potentially increase Angel investment in growth firms by as much as twenty-five percent per year.

Respectfully submitted,
Marc Louargand, Ph.D.

1189 Prospect Ave
West Hartford, CT 06105

860-236-3099

marc@saltashpartners.com



NUVENTUS

Regarding Raised House Bills 5435, 307 and 323

8 March 2010

Mary Anne Rooke
Managing Director
Angel Investor Forum
222 Pitkin Street
Suite 113
East Hartford, CT 06108

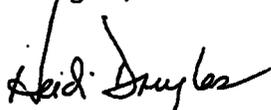
RE: *New Entrepreneur Tax Credit*

Dear Ms. Rooke:

Research conducted annually by the Small Business Administration shows time and time again that small businesses create the most new jobs, employ about half of the private sector work force, half of the nation's non-farm, private real gross domestic product (GDP), and power our country's innovation engine. Novel products and services, innovation and entrepreneurship are widely accepted as central to the state and our nation's future economic revival and our ability to compete effectively in the global marketplace. States that foster new business development will lead the economic recovery and enjoy the benefits of renewed prosperity. Those that fail in that endeavor are destined to mediocrity.

Perhaps one of the most promising new business initiatives is providing an entrepreneur tax credit during the initial years of operation, when start-ups face significant hurdles and costs, including tax liabilities. Traditional business tax credits were designed to recruit and retain a few large, "too large to fail" businesses in the state. Providing smaller credits to a broader set of start-up businesses distributes the bet and provides an important advantage to the companies that offer the greatest promise for prosperity and economic recovery.

Kind regards,



Heidi S. Douglas
Partner



Joel S. Douglas
Partner

February 28, 2010

With Regards to Raised Bill No. 5435, 307 & 323

**AN ACT IMPLEMENTING THE RECOMMENDATIONS OF THE
PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE
CONCERNING ANGEL INVESTORS AND PROGRAMS IMPLEMENTED
BY CONNECTICUT INNOVATIONS, INCORPORATED**

I would like to express my strong support for legislation that would encourage angel investing in Connecticut businesses through a tax credit.

As an active angel investor, in my view the credit would have the following benefits :

1. Promote new ventures to start in Connecticut knowing that they could have more extensive access to difficult to find angel funds
2. Jumpstart innovation in Connecticut through a shorter funding cycle for start-up businesses, especially those that are technology focused
3. Stimulate more investors and entrepreneurs to see Connecticut as a state that encourages business formation and growth

I look forward to seeing such legislation pass in the immediate term, so that the benefits outlined above can be realized as soon as possible.

Sincerely



Craig Mullett

146 Tupelo Lane
Guilford, CT 06437

With Regards to Bill 5435, 307 & 323

Ms Liddy Karter

February 25, 2010

Dear Liddy,

I understand that you will be testifying Monday March 1, 2010 in a Connecticut legislative hearing in which the legislature is considering granting a 25% tax credit to accredited investors/angels who invest in new startup or early stage companies in Connecticut.

I wish I could join you but we are nearing commercialization of one of our companies, Jetera Inc. and I just can't spare the time as much as I would like to join you. Can I impose on you to offer my opinion on this matter, if the opportunity presents itself?

I'm aware of this legislation and I urge our legislators to pass this bill into law. I can't imagine a more effective piece of legislation in Connecticut to generate the many positive benefits I anticipate. Among these are:

1. Additional available funds to invest in more new companies
2. Easier funding availability to new startups so they spend less time fundraising and more time building the business
3. Significant numbers of new employees hired to work in these new enterprises
4. A more conducive climate that encourages new businesses to start up here in Connecticut, rather than across the border in New York or Rhode Island

When I think of some of the worst legislation our federal government has imposed on us, I'm so pleased to see that on a state basis our legislators have more between their ears than the apparent dust between the ears of many federal legislators for considering this very beneficial bill.

Sincerely,

Thomas P. McClain
Investor, Angel & Entrepreneur
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(16)

Testimony on General Assembly Bill #5435, 307 & 323. 9 March 2010

My name is Joseph DeMartino. I am Connecticut native who spent most of my working career out of the state while working as a software executive in both Northern California and Boston. I came back to Connecticut in the early 90s and settled in Glastonbury for family reasons but for career reasons continued to work in the Boston Area.

After retiring from the software business in 2007 following the sale of the company I was with to a private equity firm I began looking for opportunities to apply my skills closer to home. I became involved in Angel investing with the Angel Investor Forum here in Connecticut and over the past 2.5 years have made investment in 10 companies. I am currently President of AIF.

During my time in both Silicon Valley and along Boston's 128 corridor I experienced an environment that supported and encouraged both investment in and the growth on new businesses. I watched many of the small companies I was involved with grow and then spin off other companies which in turn attracted investment and support.

A recent Harvard study on geography and entrepreneurship shows a high correlation between the presence of small firms and long term job growth. Here is an excerpt from Xconomy on the report:

Glaeser and Kerr use the presence of small firms as a proxy for entrepreneurship and find, that all else being equal, regional economic growth is highly correlated with an abundance of smaller firms. Specifically, they found that a 10 percent increase in the number of firms per worker in a metropolitan region in 1977 was associated with a nine percent increase in employment growth in that region between 1977 and 2000. Looking more closely at the connection between small independent firms and subsequent growth, they report that a 10 percent increase in average establishment size in 1992 was associated with a 7 percent decline in subsequent employment growth due to new startups. Regions with lots of small firms, in other words, tend to experience faster job growth than those with a few big ones.

The environment in Connecticut has been less than I had hoped for encouraging the establishment and growth of new businesses. I have watched as new CT companies get off the ground only to look at other geographies when it comes time to expand. Lack of workforce depth and difficulty attracting capital are prime reasons I hear for companies moving elsewhere.

The proposed Tax Credit for Angel Investors and related legislation such as the sidecar fund will, I believe, encourage more investors to put money

Into the very high risk start up environment by offsetting some of the risk and freeing up more capital for additional investments.

Joe DeMartino
57 Drumlin Road
South Glastonbury, CT

In Support of House Bill 5435, 307 & 323

Good afternoon members of the General Assembly. Thank you for the opportunity to testify on Bill #307.

My name is William D. (Will) Hill. I am a transplanted advocate of Connecticut residing in Farmington since 1997. That year I came to work in Connecticut for The Stanley Works in New Britain as VP of Engineering & Technology and Corporate Officer responsible for innovation and product development. My role was to generate new products to drive growth at Stanley after prior years of flat sales. For the previous 24 years I worked for Black & Decker in various positions first in engineering then in marketing and finally leading product development for B&D and DeWalt power tools and accessories.

In April 2005 I retired from Stanley to become VP of marketing and sales for a fuel cell start up company in Livermore, California. The year and a half that I was in Silicon Valley opened my eyes to the capability of start up companies to drive economic growth. In Silicon Valley there is a culture around innovation in start-ups that is energizing and exciting. I saw first hand that this culture keeps young people in California even though the cost of living is higher than Connecticut.

When I came back to Connecticut in late 2006 I started looking for similar companies and opportunities here. During that search I became familiar with and joined two groups – the Angel Guild and Angel Investor Forum. These two groups identify, fund and mentor start-up companies. In these groups I came to appreciate the huge pool of talent and assets in Connecticut represented by individuals with backgrounds similar to mine. These individuals have a tremendous depth of experience and insight, as well as the assets, that can fund and mentor start-up companies.

Many of the young entrepreneurs I work with have great ideas but are short on the marketing and general business experience required to successfully commercialize a product. Angel investors can fill this experience void.

In the last 4 years I have personally invested in six start-up companies. Unfortunately this is close to my limit as a private investor to maintain a sensible level of asset diversification. This is a problem common to many of our members. An investment tax credit would offset part of our risk and allow us to invest in more companies.

In summary the tax credit of Bill #307 will help to activate Connecticut's pool of experienced investors to fund and mentor the start-up companies that are critical to creating jobs in our state and retaining our talented young people.

Thank you,

William D. Hill

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