



House of Representatives

General Assembly

File No. 331

February Session, 2000

Substitute House Bill No. 5813

House of Representatives, March 30, 2000

The Committee on Commerce reported through REP. SAMOWITZ of the 129th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

An Act Concerning Incubators And Consortia.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (a) For the purposes described in subsection (b) of this
2 section, the State Bond Commission shall have the power, from time to
3 time, to authorize the issuance of bonds of the state in one or more
4 series and in principal amounts not exceeding in the aggregate one
5 million dollars.

6 (b) The proceeds of the sale of said bonds, to the extent of the
7 amount stated in subsection (a) of this section, shall be used by the
8 Department of Economic and Community Development for the
9 purpose of funding the "E-Commerce Matching Grant Program Fund"
10 established pursuant to sections 2 to 5, inclusive, of this act.

11 (c) All provisions of section 3-20 of the general statutes, or the
12 exercise of any right or power granted thereby, which are not
13 inconsistent with the provisions of this section are hereby adopted and

14 shall apply to all bonds authorized by the State Bond Commission
15 pursuant to this section, and temporary notes in anticipation of the
16 money to be derived from the sale of any such bonds so authorized
17 may be issued in accordance with said section 3-20 and from time to
18 time renewed. Such bonds shall mature at such time or times not
19 exceeding twenty years from their respective dates as may be provided
20 in or pursuant to the resolution or resolutions of the State Bond
21 Commission authorizing such bonds. None of said bonds shall be
22 authorized except upon a finding by the State Bond Commission that
23 there has been filed with it a request for such authorization which is
24 signed by or on behalf of the Secretary of the Office of Policy and
25 Management and states such terms and conditions as said commission,
26 in its discretion, may require. Said bonds issued pursuant to this
27 section shall be general obligations of the state and the full faith and
28 credit of the state of Connecticut are pledged for the payment of the
29 principal of and interest on said bonds as the same become due, and
30 accordingly and as part of the contract of the state with the holders of
31 said bonds, appropriation of all amounts necessary for punctual
32 payment of such principal and interest is hereby made, and the State
33 Treasurer shall pay such principal and interest as the same become
34 due.

35 Sec. 2. (NEW) For purposes of this section and sections 3 to 5,
36 inclusive, of this act:

37 (1) "E-commerce consortium" means a coalition or other group of
38 entities, related by contractual or other arrangements, that (A) includes
39 at least one state higher education facility and one or more Connecticut
40 businesses and may include other businesses and nonprofit or public
41 institutions, and (B) is led by such facility for the purpose of e-
42 commerce and information technology development or
43 commercialization;

44 (2) "E-commerce incubator" means an entity organized as a

45 nonprofit organization for the purpose of providing research, offering
46 capped rent, providing access to venture capital resources, partnering
47 with academic research or business school faculty and offering shared
48 office facilities and other services to assist small e-commerce and
49 information technology-based companies develop and grow; and

50 (3) "Contribution" means cash, negotiable securities or other gifts of
51 similar liquidity.

52 Sec. 3. (NEW) There is created an "E-Commerce Matching Grant
53 Program Fund" within the Department of Economic and Community
54 Development. The proceeds of any bonds issued for the purposes of
55 sections 2 to 5, inclusive, of this act, shall be deposited in said fund.
56 The State Treasurer shall invest the proceeds of the fund and the
57 investment earnings shall be credited to and become part of the fund.
58 Annually, on or before September first, the Treasurer shall notify the
59 department of the total amount of investment earnings of the fund for
60 the prior fiscal year and such amount shall be available to the
61 department for payments pursuant to sections 4 and 5 of this act. Any
62 balance remaining in the fund at the end of each fiscal year shall be
63 carried forward in the fund for the succeeding fiscal year.

64 Sec. 4. (NEW) (a) To be eligible for a matching grant for a fiscal year
65 pursuant to this section and section 5 of this act, an e-commerce
66 consortium or e-commerce incubator shall have received total donor
67 contributions for the fiscal year for which such amount is calculated of
68 not less than twenty-five thousand dollars.

69 (b) For the portion of total donor contributions for the fiscal year
70 which is equal to twenty-five thousand dollars or more but does not
71 exceed the total donor contributions for the prior fiscal year, there shall
72 be a match of twenty-five per cent of such amount, provided no match
73 pursuant to this subsection shall exceed two hundred fifty thousand
74 dollars.

75 (c) For the portion of total donor contributions for the fiscal year
76 which exceeds the total donor contributions for the prior fiscal year,
77 there shall be a match of one hundred per cent of such amount,
78 provided no match pursuant to this subsection shall exceed one
79 million dollars.

80 (d) If in any fiscal year the total amount of matching grants to be
81 paid pursuant to the provisions of this section and section 5 of this act,
82 exceed the investment earnings of the E-Commerce Matching Grant
83 Program Fund which are available for payments to e-commerce
84 consortia and e-commerce incubators, pursuant to section 3 of this act,
85 all such matching grants shall be reduced on a pro rata basis.

86 Sec. 5. (NEW) Annually, on or before December fifteenth, an e-
87 commerce consortium or e-commerce incubator may apply to the
88 Department of Economic and Community Development for a state
89 matching grant, provided said consortium or incubator includes in its
90 application a copy of the Internal Revenue Service return of
91 organization exempt from income tax form, or any replacement form
92 adopted by the Internal Revenue Service, showing the total amount of
93 contributions received from donors for the two most recently
94 completed fiscal years. On or before the January fifteenth next
95 following, the department shall certify to the Treasurer an amount
96 equal to the total matching grants as calculated pursuant to section 4 of
97 this act. Thereafter, the Treasurer shall make available such amount to
98 the department and the department shall, on or before April fifteenth,
99 pay to each e-commerce consortium or e-commerce incubator a grant
100 as calculated pursuant to section 4 of this act.

101 Sec. 6. This act shall take effect July 1, 2001, and be applicable to
102 taxable years commencing on and after January 1, 2000.

Statement of Legislative Commissioners:

In sections 2 to 5, inclusive, "(NEW)" was added.

CE **Committee Vote:** Yea 25 Nay 0 JFS

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Cost (Go Bond Funds and General Fund)

Affected Agencies: Department of Economic and Community Development

Municipal Impact: None

Explanation

State Impact:

Establishing a new e-commerce matching grant program and fund, effective July 1, 2001, will increase FY 02 costs to the Department of Economic and Community Development (DECD). DECD will need additional resources for a program administrator and associated other expenses at a cost of approximately \$75,000. The bill also authorizes \$1 million in GO bond funds effective July 1, 2001. The cost to bond \$1 million at 6.25% over 20 years is \$656,250.

OLR Bill Analysis

sHB 5813

AN ACT CONCERNING INCUBATORS AND CONSORTIA.

SUMMARY:

This bill creates a matching grant program to help specified organizations develop internet commerce and information technology-based businesses and the technology they use. It authorizes \$1 million in bonds for this purpose. The Department of Economic and Community Development (DECD) must administer the program according to the bill's requirements.

DECD can grant funds to nonprofit organizations operating incubator facilities specifically for new businesses to develop information technology or new ways to sell goods and services over the Internet. It can also grant funds to business consortia lead by a state college or university to develop and commercialize Internet commerce and information technology. The bill appears to limit eligibility for the latter to state institutions of higher education.

EFFECTIVE DATE: July 1, 2001 and applicable to tax years beginning on or after January 1, 2000.

E-COMMERCE MATCHING GRANT PROGRAM FUND

The bill establishes a nonlapsing fund, which must contain the proceeds from the bonds sold for the e-commerce matching grant program. (E-commerce is another term for business transactions done over the Internet.) The state treasurer must invest the proceeds and credit the earnings to the fund. She must notify DECD by September 1 annually of the fund's earnings during the prior fiscal year. DECD can tap only the earnings for the grants.

ELIGIBLE PROJECTS

E-Commerce Incubators

DECD can make matching grants to nonprofit organizations operating incubators to help develop and grow small Internet commerce and information-based technology businesses. The incubators must provide their tenants research services, capped rents, access to venture capital, shared office space, support services, and the chance to work with academic researchers or business school professors.

E-Commerce Consortium

University-led consortia qualify for grants to develop or commercialize internet and information technology. A consortium qualifies for a grant if it includes at least one Connecticut business and at least one state college or university. It may include other businesses, nonprofit organizations, and public institutions. The college or university must lead the consortium, and its members must be related by contracts or other arrangements.

GRANTS***Matching Requirements And Grant Amounts***

Incubator operators and consortia must match the state grants with cash, negotiable securities, or other gifts of similar liquidity. The grant amount depends on the amount they obtain from other sources and whether this amount exceeds what they obtained in the prior fiscal year. But they must have obtained a minimum \$25,000 per year from other sources before they can qualify for a grant.

The state grant is 25% of the amount above \$25,000 if that amount is less than what the applicant received from other sources in the prior fiscal year. But the grant cannot exceed \$250,000. If the amount exceeds what the applicant received from other sources in the prior fiscal year, he qualifies for a grant equal to that amount or \$1 million.

DECD must prorate the grant amounts if their total exceeds the fund's total investment earnings during any fiscal year.

Timeframe for Awarding Grants

The bill specifies the timeframe for awarding grants. Incubator operators and consortia may apply for grants by December 15 annually. In doing so, they must provide a copy of the return they submitted to the Internal Revenue Service listing the amounts they received from other sources during the last two fiscal years. Since the bill takes effect July 1, 2001, incubators and consortia can count funds they received in calendar 2000.

DECD must certify to the treasurer by January 15 the total amount of grants it plans to award. The treasurer must make this amount available to DECD, which must then award the grants by April 15.

BACKGROUND

Related Law

The law allows Connecticut Innovations, Inc. (CII) to provide financial aid for establishing, maintaining, and operating incubator facilities providing space and technical assistance to small technology based companies. CII is a quasi-public agency that invests in or provides funds to individuals, businesses, and universities researching and developing new technologies with commercial potential.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 25 Nay 0