



Senate

General Assembly

File No. 246

February Session, 2000

Substitute Senate Bill No. 515

Senate, March 27, 2000

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

An Act Concerning Certain Programs Administered By Connecticut Innovations, Incorporated And The Connecticut Development Authority.

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

1 Section 1. Section 10a-25b of the general statutes is repealed and the
2 following is substituted in lieu thereof:

3 (a) The State Bond Commission may authorize the issuance of
4 bonds of the state in one or more series in accordance with the
5 provisions of sections 10a-25a to [10a-25g, inclusive] 10a-25f, inclusive,
6 as amended by this act, but not in excess of the aggregate amount of
7 twenty-two million five hundred thousand dollars.

8 (b) The proceeds of the sale of said bonds, to the extent hereinafter
9 stated, shall be used to encourage, promote, develop and assist high
10 technology products and programs within Connecticut by infusion of
11 financial assistance in situations when such financial aid would not

12 otherwise reasonably be available from other sources [as hereinafter
13 stated: (1) For the State Board of Education: High] for high technology
14 equipment for programs in the vocational-technical schools, not
15 exceeding two million dollars, for the State Board of Education.]; (2)
16 for Connecticut Innovations, Incorporated: (A) Matching funds for
17 cooperative high technology research and development projects and
18 programs, not exceeding nine million dollars; (B) financial aid, as
19 defined in subdivision (4) of section 32-34, to public institutions of
20 higher education for high technology projects and programs, not
21 exceeding eleven million five hundred thousand dollars.]

22 Sec. 2. (NEW) As used in this section and section 3 of this act:

23 (1) "Corporation" means Connecticut Innovations, Incorporated; and

24 (2) "Eligible participant" means a member of the faculty or a
25 researcher engaged in applied research and development at any
26 Connecticut college or university that agrees to participate in a high
27 technology research and development program established by the
28 corporation.

29 Sec. 3. (NEW) (a) There is established a high technology research
30 and development program to be administered by the corporation for
31 the purpose of promoting collaboration between Connecticut
32 businesses and Connecticut colleges and universities in advanced
33 materials, aerospace, bioscience, energy and environmental systems,
34 information technology, applied optics, microelectronics and other
35 high technology fields. The corporation may accept applications to the
36 program from eligible participants in a form and manner prescribed by
37 the corporation.

38 (b) In approving any application the corporation shall assess the
39 collaborative nature of the proposal as well as scientific and economic
40 factors, including, but not limited to, the following:

41 (1) The formal participation in the proposal by businesses actively
42 engaged in the commercial use of advanced materials, aerospace,
43 bioscience, energy and environmental systems, information
44 technology, applied optics, microelectronics and other high technology
45 fields;

46 (2) The likelihood that a proposal will result in the development or
47 commercialization of high technology products or processes in
48 Connecticut; and

49 (3) The likelihood that a proposal will result in long-term,
50 sustainable economic growth for the state of Connecticut.

51 (c) The corporation shall provide financial aid, as defined in
52 subdivision (4) of section 32-34 of the general statutes, to eligible
53 participants whose proposals have been approved by the corporation
54 as provided in subsections (a) and (b) of this section.

55 (d) The corporation may establish other programs, including
56 financial programs, in order to attract and retain residents with
57 postsecondary education in science, engineering, mathematics and
58 other disciplines that are essential or advisable to the development and
59 application of technology.

60 Sec. 4. Section 10a-25a of the general statutes is repealed and the
61 following is substituted in lieu thereof:

62 It is hereby found and determined that it is in the best interest of the
63 state to encourage, promote, develop and assist the growth or
64 establishment of high technology products and programs which are
65 necessary to provide and maintain employment and tax revenues and
66 that financial assistance to encourage, promote, develop and assist
67 high technology products, techniques, processes and programs,
68 including higher educational and vocational education programs is an
69 important function of the state. It is a matter of legislative

70 determination that state financial assistance in the high technology
71 area is necessary to increase employment and public revenues and
72 therefore the provisions of sections 10a-25b to [10a-25g, inclusive] 10a-
73 25f, inclusive, as amended by the act, are in the public interest and for
74 the public benefit and good.

75 Sec. 5. Subsection (a) of section 10a-25c of the general statutes is
76 repealed and the following is substituted in lieu thereof:

77 (a) All provisions of section 3-20, as amended, or the exercise of any
78 right or power granted thereby which are not inconsistent with the
79 provisions of sections 10a-25a to [10a-25g, inclusive] 10a-25f, inclusive,
80 as amended by this act, are hereby adopted and shall apply to all
81 bonds authorized by the State Bond Commission pursuant to said
82 sections, and temporary notes in anticipation of the [money] moneys to
83 be derived from the sale of any such bonds so authorized may be
84 issued in accordance with said section and from time to time renewed.
85 Such bonds shall mature at such time or times not exceeding ten years
86 from their respective dates as may be provided in or pursuant to the
87 resolution or resolutions of the State Bond Commission authorizing
88 such bonds.

89 Sec. 6. Section 10a-25d of the general statutes is repealed and the
90 following is substituted in lieu thereof:

91 For the purposes of sections 10a-25a to [10a-25g, inclusive] 10a-25f,
92 inclusive, as amended by this act, "state moneys" means the proceeds
93 of the sale of bonds authorized pursuant to said sections or of
94 temporary notes issued in anticipation of the moneys to be derived
95 from the sale of such bonds. Each request filed as provided in
96 subsection (b) of section 10a-25c for an authorization of bonds shall
97 identify the project for which the proceeds of the sale of such bonds are
98 to be used and expended and, in addition to any terms and conditions
99 required pursuant to said subsection (b) of section 10a-25c, shall
100 include the recommendation of the person signing such request as to

101 the extent to which federal, private or other moneys then available or
102 thereafter to be made available for costs in connection with any such
103 project should be added to the state moneys available or becoming
104 available hereunder for such project. If the request includes a
105 recommendation that some amount of such federal, private or other
106 moneys should be added to such state moneys, then, if and to the
107 extent directed by the State Bond Commission at the time of
108 authorization of such bonds, the amount of such federal, private or
109 other moneys then available or thereafter to be made available for
110 costs in connection with such project may be added to any state
111 moneys available or becoming available hereunder for such project
112 and be used for such project. Any other federal, private or other
113 moneys then available or thereafter to be made available for costs in
114 connection with such project upon receipt shall, in conformity with
115 applicable federal and state law, be used by the Treasurer to meet
116 principal of outstanding bonds issued pursuant to sections 10a-25a to
117 [10a-25g, inclusive] 10a-25f, inclusive, as amended by this act, or to
118 meet the principal of temporary notes issued in anticipation of the
119 [money] moneys to be derived from the sale of bonds theretofore
120 authorized pursuant to said sections for the purpose of financing such
121 costs, either by purchase or redemption and cancellation of such bonds
122 or notes or by payment thereof at maturity. Whenever any of the
123 federal, private or other moneys so received with respect to such
124 project are used to meet principal of such temporary notes or
125 whenever principal of any such temporary notes is retired by
126 application of revenue receipts of the state, the amount of bonds
127 theretofore authorized in anticipation of which such temporary notes
128 were issued and the aggregate amount of bonds which may be
129 authorized pursuant to section 10a-25b, as amended by this act, shall
130 each be reduced by the amount of the principal so met or retired.
131 Pending use of the federal, private or other moneys so received to meet
132 principal as hereinabove directed, the amount thereof may be invested
133 by the Treasurer in bonds or obligations of, or guaranteed by, the state

134 or the United States or agencies or instrumentalities of the United
135 States, and shall be deemed to be part of the debt retirement funds of
136 the state, and net earnings on such investments shall be used in the
137 same manner as the said moneys so invested.

138 Sec. 7. Subsection (a) of section 32-265 of the general statutes is
139 repealed and the following is substituted in lieu thereof:

140 (a) As used in this section: (1) "Authority" means the Connecticut
141 Development Authority, and (2) "financial institution" means [a] an
142 eligible financial institution, [as defined in section 36a-755] as defined
143 in subsection (e) of section 32-23d, which is approved by the authority
144 to participate in the program established by this section.

145 Sec. 8. Section 32-346 of the general statutes is repealed and the
146 following is substituted in lieu thereof:

147 The corporation shall establish a "Connecticut technology
148 partnership assistance program revolving account". Any and all
149 references in any general statutes, procedure or legal document to the
150 "phase III assistance program revolving account" shall, on and after
151 July 1, 1995, be deemed to refer to the "Connecticut technology
152 partnership assistance program revolving account". The account shall
153 be used for the purpose of providing financial assistance under section
154 32-345 and section 3 of this act.

155 Sec. 9. Section 10a-25g of the general statutes and sections 32-41g to
156 32-41n, inclusive, of the general statutes are repealed.

Statement of Legislative Commissioners:

In subdivisions (2) and (3) of subsection (b) of section 3, "shall" was replaced with "will" since these provisions refer to the future. In subsection (c) of section 3, "accepted" was replaced with "approved" and "described" was replaced with "provided" to conform with the style of the general statutes. In subsection (a) of section 7, changes were made for consistency with the general statutes.

CE **Committee Vote:** Yea 20 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: See Below

Affected Agencies: Connecticut Innovations Incorporated (quasi-public) and Connecticut Development Corporation (quasi-public)

Municipal Impact: None

Explanation

State Impact:

This bill revises Connecticut Innovations, Inc. (CII) collaborative research program and changes the funding mechanism from bond funds to the Connecticut Technology Partnership Assistance Program Revolving Account, which has a balance of \$573,064 as of 3/21/00. CII can also use the money from their net realized gain on investments to run programs. These funds totaled \$22 million in FY 99. The repeal of bond authorizations in the bill has no impact since these funds have already been allocated and allotted for the various programs

To the extent that broadening the range of lenders that can participate in the Connecticut Development Authority's (CDA) Capital Access Program increases the use of the program there could be a need for future bond authorizations. The fiscal impact to the state is anticipated to be minimal.

OLR Bill Analysis

sSB 515

AN ACT CONCERNING CERTAIN PROGRAMS ADMINISTERED BY CONNECTICUT INNOVATIONS, INCORPORATED AND THE CONNECTICUT DEVELOPMENT AUTHORITY**SUMMARY:**

This bill allows Connecticut Innovations, Inc. (CII) to establish financial and other types of programs to attract and retain residents with post-secondary education in science, engineering, mathematics, and other disciplines integral to developing and applying technology.

The bill revises CII's program that funds collaborative high technology research projects between businesses and universities, requires CII to fund the revised program out of an existing revolving account, and repeals the current \$20.5 million bond authorization for the existing program.

The bill repeals an obsolete program under which CII spent \$5 million in bonds to establish centers and programs to deploy specified new technologies. The legislature authorized \$5 million in bonds for the latter in 1993.

The bill expands the range of lenders that can participate in the Connecticut Development Authority's (CDA) Capital Access Program (i.e., Urbank Program), which insures groups or portfolios of business loans that are somewhat riskier than conventional loans.

EFFECTIVE DATE: October 1, 2000

REVISED COLLABORATIVE RESEARCH PROGRAM***Purpose***

The bill updates the statutes governing this program. 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.

Current law allows CII to provide funds to public and private colleges and universities that collaborate with businesses on developing new technology or invests in these collaborative ventures. The bill focuses the program on applied research and development in advanced materials, aerospace, bioscience, energy and environmental systems, information technology, applied optics, microelectronics, and other information technology fields.

Funding

The bill changes the program's funding source. Current law authorizes \$20.5 million in bonds. It allows CII use up to \$9 million of this amount to provide matching funds to public or private colleges and universities that collaborate with businesses on high technology research and development projects and programs. And it allows CII to use the remaining \$11.5 million to provide grants, loans, equity, and other financing to public colleges and universities undertaking similar projects and programs.

The bill consolidates these categories, repeals the existing bond authorization, and requires CII to fund the program out of its existing Connecticut Technology Partnership Assistance Program Revolving Account. CII currently uses this account to provide funds to help small businesses market newly commercialized research that was financed with federal dollars.

Application

Any faculty member or researcher conducting applied research and development at any Connecticut college or university can apply for funds under the revised program by submitting an application in the form and manner CII prescribes.

CII must assess applications based on the collaboration that is being proposed and the scientific and economic aspects of the research. The latter includes:

1. the extent to which the commercial business partner uses advanced materials, aerospace, bioscience, energy and environmental systems, information technology, applied optics, microelectronics, and other high technology fields;
2. the proposal's chances of developing and commercializing high technology products and processes in Connecticut; and
3. the likelihood that it will generate long-term, sustainable economic growth here.

Financial Aid

Under the revised program, CII can provide financial aid in a variety of forms for collaborative research. It can provide grants, loans, equity, leases, guarantees, royalty arrangements, risk capital, and other forms the law does not specify. As mentioned above, current law requires CII to use a portion of the bond authorization to provide matching funds for public and private colleges and universities undertaking collaborative research projects and programs.

CAPITAL ACCESS PROGRAM

The bill broadens the range of lenders that can participate in this CDA program. CDA generally provides loans, loan guarantees, or other types of financing to businesses for constructing plants, purchasing machinery and equipment, or training workers. The Capital Access Program guarantees a group or portfolio of loans a bank makes that are somewhat riskier than other loans.

State bank and trust companies; national banking associations; secondary mortgage licensees; first mortgage lenders; and state or federal savings banks, credit unions, and savings and loan associations currently qualify for the program's guarantees. The bill expands the list of eligible lenders to include insurance companies, investment companies, mortgage bankers, trustees, executors, pension funds, retirement funds or other fiduciary or financial institutions, state agencies, municipalities, and other political subdivisions.

BACKGROUND

Technology Deployment Centers and Programs

PA 93-382 authorized \$5 million in bonds to CII to help deploy already available advanced technologies and develop products made with these technologies. CII established the manufacturing applications center at Central Connecticut State University's Institute for Industrial and Engineering Technology, the energy and environmental technologies center in New London, and the education and job-training center in New Britain.

CII established the Deployment Research Program in the Naugatuck Valley and contracted with Connecticut Technology Associates to run it. CII also established the Critical Technology Grants Program, under which it provided funds to state colleges and universities and nonprofit-business-led consortiums for deploying technology related to advanced materials, marine sciences, photonics, and pharmaceutical and environmental technologies.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 20 Nay 0