



Senate

General Assembly

File No. 526

February Session, 2006

Substitute Senate Bill No. 1

Senate, April 18, 2006

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING JOBS FOR THE 21ST CENTURY.

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

1 Section 1. (NEW) (*Effective July 1, 2006*) (a) The Board of Trustees of
2 The University of Connecticut shall develop a program to facilitate the
3 recruitment of eminent faculty and their research staffs to the
4 university. Such program shall support economic development in the
5 state and promote core competency areas by accelerating the pace of
6 applied research and development. Such program shall supplement
7 the compensation of such faculty and related costs of personnel and
8 materials needed to secure such faculty for the university. Eligibility
9 shall be limited to scientists who have demonstrated excellence in their
10 field of research and have an interest in working collaboratively with
11 other scientists at the university and an interest in commercialization
12 of their research.

13 (b) No funds shall be expended under this section unless there are
14 matching funds from industry or other sources available for such

15 purposes identified in subsection (a) of this section.

16 Sec. 2. (NEW) (*Effective July 1, 2006*) The University of Connecticut
17 shall establish a Center for Entrepreneurship. The purpose of the
18 center shall be to train the next generation of entrepreneurs in an
19 experiential manner that would assist businesses in the state today.
20 This center shall (1) develop an entrepreneurial program that trains
21 faculty and student inventors in commercialization and business issues
22 and that generates business opportunities; (2) expand the accelerator
23 program of the school of business to provide innovations services to
24 technology-based companies using a proven model of faculty and
25 students working with companies on real time solutions to the
26 company's business problems; and (3) establish an intellectual
27 property law clinic, in conjunction with the law school. The accelerator
28 program and the law clinic shall be colocated with the Connecticut
29 Center for Advanced Technology in the Hartford area to leverage
30 resources.

31 Sec. 3. Section 32-34 of the general statutes is amended by adding
32 subdivisions (18) to (22), inclusive, as follows (*Effective July 1, 2006*):

33 (NEW) (18) "Preseed financing" means financial aid provided for
34 research and formulation of a concept;

35 (NEW) (19) "Seed financing" means financial aid to an inventor or
36 entrepreneur to assess the viability of a concept and to qualify for start-
37 up financing to fund, including, but not limited to, product
38 development, market research, management team building and,
39 pending successful progress on such initial steps, business plan
40 development;

41 (NEW) (20) "Start-up financing" means financial aid to companies in
42 the process of organizing as a business or have been in operation for
43 less than one year that (A) have completed product development and
44 initial marketing but have not sold such product commercially, and (B)
45 have established viability by performing market studies, assembling
46 key management, developing a business plan or demonstrating

47 viability by other means deemed appropriate by the grantor;

48 (NEW) (21) "Early or first-stage financing" means financial aid to
49 companies that have expended initial capital, developed and market-
50 tested prototypes, and demonstrate that such funds are necessary to
51 initiate full-scale manufacturing and sales;

52 (NEW) (22) "Expansion financing" means financial aid to companies
53 for market expansion or to enhance the fiscal position of a company in
54 preceding a liquidity event including, but not limited to, an initial
55 public offering or acquisition.

56 Sec. 4. (NEW) (*Effective July 1, 2006*) (a) There is established an early-
57 stage venture capital program to be administered by Connecticut
58 Innovations, Incorporated, to provide preseed financing, seed
59 financing, start-up financing, early or first-stage financing and
60 expansion financing to companies in the state.

61 (b) In support of the program established in subsection (a) of this
62 section, the corporation shall establish criteria for awarding such
63 financing and shall develop and implement a plan to market the
64 program.

65 (c) The board of the corporation shall review and approve each
66 application for such financing.

67 (d) Funds provided for this section shall be allocated as follows: (1)
68 Not less than five per cent for preseed financing; (2) not less than ten
69 per cent for seed financing; (3) not less than ten per cent for start-up
70 financing; (4) not less than fifteen per cent for early or first stage
71 financing; and (5) not less than forty per cent and not more than sixty
72 per cent on expansion financing, as such terms are defined in section
73 32-34 of the general statutes, as amended by this act. The corporation
74 shall use not more than three per cent of such funds for administration
75 and marketing of such financial aid.

76 Sec. 5. (NEW) (*Effective July 1, 2006*) (a) As used in this section,
77 "small business incubator program" means a program offering space,

78 unique technical resources and business support services and
79 "department" means the Department of Economic and Community
80 Development.

81 (b) The Commissioner of Economic and Community Development
82 shall establish the small business incubator competitive grant program
83 to provide grants to nonprofit organizations operating incubator
84 facilities, as defined in 32-34 of the general statutes, as amended by this
85 act, which shall be used to provide operating funds and related
86 business incubator programs to small and micro businesses in
87 Connecticut.

88 (c) An eligible entity or institution shall submit a plan for the
89 expenditure of awarded funds, in accordance with this section, to the
90 department, at such time and in such manner as the commissioner
91 prescribes. Any plan submitted by the entity or institution awarded a
92 contract pursuant to this section shall include a description of the
93 proposed use of any such funds: (1) To fund feasibility studies; (2) for
94 investment capital, the provision of below-market loans or working
95 capital; or (3) to provide operating support.

96 (d) There is established an account to be known as the small
97 business incubator account, which shall be a separate, nonlapsing
98 account within the General Fund. The account shall contain all moneys
99 required by law to be deposited in the account and shall be held
100 separate and apart from all other money, funds and accounts.
101 Investment earnings from any moneys in the account shall be credited
102 to the account and shall become part of the assets of the account. Any
103 balance remaining in the account at the end of any fiscal year shall not
104 lapse and shall be available for use for the fiscal year next succeeding.
105 The department may use funds from the account to provide grants
106 under subsection (b) of this section.

107 Sec. 6. Section 32-344 of the general statutes is repealed and the
108 following is substituted in lieu thereof (*Effective July 1, 2006*):

109 As used in this section and sections 32-345 and 32-346, as amended

110 by this act:

111 (1) "Business-led consortium" means a coalition or other group of
112 entities, related by contractual or other arrangements, that (A) includes
113 at least one Connecticut business and may include other businesses
114 and nonprofit or public institutions, and (B) is led by a business for the
115 purpose of technology development or commercialization;

116 (2) "Corporation" means Connecticut Innovations, Incorporated, as
117 created under section 32-35;

118 (3) "Small business" means a corporation, limited liability company,
119 partnership, sole proprietorship or individual, operating a business for
120 profit, which employs five hundred or fewer employees, including
121 employees employed in any subsidiary or affiliated corporation;

122 (4) "Small business innovation research program" means the federal
123 program established pursuant to the Small Business Innovation
124 Development Act of 1982 (P.L. 97-219), as amended, which provides
125 funds to small businesses to conduct innovative research which has
126 potential commercial applications;

127 (5) "Small business technology transfer program" means the federal
128 program established pursuant to the Small Business Research and
129 Development Enhancement Act of 1992 (P.L. 102-564), as amended,
130 which provides funds to small businesses that collaborate with
131 nonprofit research institutions to conduct innovative research which
132 has potential commercial applications;

133 (6) "Federal technology support program" means any program now
134 or hereafter established by the government of the United States of
135 America or any agency or instrumentality thereof, other than the small
136 business innovation research program and small business technology
137 transfer program that (A) is authorized to provide funding support for
138 projects undertaken by businesses and business-led consortia for the
139 development or commercialization of advanced technologies,
140 including without limitation technologies applied or applicable to

141 national defense, and (B) requires recipients to furnish a portion of the
142 funds necessary to carry out such activities;

143 (7) "Micro business" means a business entity, including its affiliates,
144 that (A) is independently owned and operated, and (B) employs fewer
145 than fifty full-time employees or has gross annual sales of less than
146 five million dollars.

147 Sec. 7. Section 32-345 of the general statutes is repealed and the
148 following is substituted in lieu thereof (*Effective July 1, 2006*):

149 (a) The corporation shall establish a Connecticut [technology
150 partnership] development research and economic assistance matching
151 grant program, within available appropriations and, for the purposes
152 of providing financial aid, as defined in subdivision (4) of section 32-
153 34, to assist: (1) Connecticut small businesses in conducting marketing-
154 related activities to facilitate commercialization of research projects
155 funded under the small business innovation research program or the
156 small business technology transfer program; [and] (2) business-led
157 consortia or Connecticut businesses in connection with their
158 participation in a federal technology support program; and (3) micro
159 businesses, in conducting development and research.

160 (b) Applications shall be submitted to the corporation at such times
161 and on such forms as the corporation may prescribe. Each such
162 application shall include the following: (1) The location of the principal
163 place of business of the applicant; (2) an explanation of the intended
164 use of the funding being applied for, the potential market for the end
165 product of the technology project and the marketing strategy; and (3)
166 such other information that the corporation deems necessary.
167 Information contained in any such application submitted to the
168 corporation under this section which is of a proprietary nature shall be
169 exempt from the provisions of subsection (a) of section 1-210, as
170 amended.

171 (c) In determining whether an applicant shall be selected for
172 funding pursuant to this section, the corporation shall consider, but

173 such consideration need not be limited to, the following factors: (1) The
174 description of the small business innovation research project, the small
175 business technology transfer project or the federally-supported
176 technology project and the potential commercial applicability of such
177 project; (2) evidence of satisfactory participation in the applicable small
178 business innovation research program, the small business technology
179 transfer program or the federal technology support program; (3) the
180 potential impact of such research project on the workforce in the
181 region where such small business is located; (4) the size of the potential
182 market, strength of the marketing strategy, and ability of the applicant
183 to execute the strategy and successfully commercialize the end
184 product; and (5) the resources and record of success of the company
185 relative to development and commercialization. Within the availability
186 of funds, the corporation may provide financial aid to eligible
187 applicants provided no business may receive more than fifty thousand
188 dollars for any single small business innovation research project or
189 small business technology transfer project. The corporation may
190 require a business to repay such assistance or pay a multiple of the
191 assistance to the corporation. All such repayments and payments shall
192 be deposited in the Connecticut technology partnership assistance
193 program revolving account established under section 32-346.

194 (d) (1) The corporation shall establish a development, research and
195 economic assistance matching financial aid program for micro
196 businesses that have received federal funds for Phase II proposals
197 under the small business innovation research program and the small
198 business technology transfer program. Any micro business receiving
199 financial aid under this subsection shall use such financial aid for the
200 same purpose such micro business was awarded said federal funds.

201 (2) Applications for aid pursuant to this subsection shall be
202 submitted to the corporation at such times and on such forms as the
203 corporation may prescribe. Each such application shall include the
204 following: (A) The location of the principal place of business of the
205 applicant; (B) an explanation of the intended use of the financial aid
206 being applied for; and (C) such other information that the corporation

207 deems necessary. Information contained in any such application
208 submitted to the corporation under this section which is of a
209 proprietary nature shall be exempt from the provisions of subsection
210 (a) of section 1-210 of the 2006 supplement to the general statutes.

211 (3) In determining whether an applicant shall be selected for
212 funding pursuant to this subsection, the corporation shall consider, but
213 such consideration need not be limited to, the following factors: (A)
214 The description of the small business innovation research project; and
215 (B) evidence of satisfactory participation in the applicable small
216 business innovation research program or small business technology
217 transfer program.

218 ~~[(d)]~~ (e) The corporation shall adopt written procedures, in
219 accordance with the provisions of section 1-121, to carry out the
220 provisions of this section.

221 Sec. 8. (NEW) (*Effective July 1, 2006*) (a) There is established an Office
222 of the Business Advocate. The Governor, with the approval of the
223 General Assembly, shall appoint a person with knowledge of the
224 characteristics and needs of businesses and the resources provided by
225 state, federal, quasi-governmental and other organizations that may be
226 available to businesses. Such person shall be qualified by training and
227 experience to perform the duties of the office as set forth in this section.
228 The person appointed the Business Advocate shall serve for a term of
229 four years and may be reappointed or shall continue to hold office
230 until such person's successor is appointed and qualified, or until
231 removed as provided in section 16-5 of the general statutes.

232 (b) The Office of the Business Advocate shall be in the Office of
233 Policy and Management for administrative purposes only.

234 (c) The Business Advocate may, within available funds, appoint
235 such staff as may be deemed necessary. The duties of the staff may
236 include the duties and powers of the Business Advocate if performed
237 under the direction of the Business Advocate.

238 (d) The General Assembly may annually appropriate such sums as
239 necessary for the payment of the salaries of the staff and for the
240 payment of office expenses and other actual expenses incurred by the
241 Business Advocate in the performance of such advocate's duties.

242 (e) The Business Advocate shall annually submit to the Governor
243 and the General Assembly, in accordance with the provisions of
244 section 11-4a of the general statutes, a detailed report analyzing the
245 work of the Office of the Business Advocate.

246 (f) The Business Advocate shall (1) serve as an information
247 clearinghouse for various public and private programs available to
248 assist businesses, and (2) identify specific small businesses whose
249 growth and success could benefit from state or private assistance and
250 contact such small businesses in order to (A) identify their needs, (B)
251 provide information about public and private programs for meeting
252 such needs, including, but not limited to, technical assistance, job
253 training and financial assistance, and (C) arrange for the provision of
254 such assistance to such businesses.

255 Sec. 9. Section 12-81 of the 2006 supplement to the general statutes is
256 amended by adding subdivision (76) as follows (*Effective July 1, 2006*):

257 (NEW) (76) Effective for assessment years commencing on or after
258 October 1, 2011, new machinery and equipment or newly-acquired
259 machinery and equipment, including machinery and equipment used
260 in connection with biotechnology. For purposes of this subdivision,
261 "machinery" and "equipment", and "biotechnology" shall have the
262 same meaning as in subdivision (72) of this section, as amended by this
263 act. Any person claiming the exemption provided under this
264 subdivision shall not be eligible to claim the exemption provided
265 under subdivision (60) or (70) of this section for the same machinery
266 and equipment.

267 Sec. 10. Subparagraph (A) of subdivision (72) of section 12-81 of the
268 2006 supplement to the general statutes is repealed and the following
269 is substituted in lieu thereof (*Effective July 1, 2006, and applicable to*

270 *assessment years commencing on or after October 1, 2006):*

271 (72) (A) Effective for assessment years commencing on or after
272 October 1, 2002, but prior to assessment years commencing on or after
273 October 1, 2011, new machinery and equipment, as defined in this
274 subdivision, acquired after October 1, 1990, and prior to October 1,
275 2011, and newly-acquired machinery and equipment, as defined in this
276 subdivision, acquired on or after July 1, 1992, and prior to October 1,
277 2011, by the person claiming exemption under this subdivision,
278 provided this exemption shall only be applicable in the five full
279 assessment years following the assessment year in which such
280 machinery or equipment is acquired, subject to the provisions of
281 subparagraph (B) of this subdivision. Machinery and equipment
282 acquired on or after July 1, 1996, and prior to October 1, 2011, and used
283 in connection with biotechnology shall qualify for the exemption
284 under this subsection. For the purposes of this subdivision: (i)
285 "Machinery" and "equipment" means tangible personal property which
286 is installed in a manufacturing facility and claimed on the owner's
287 federal income tax return as either five-year property or seven-year
288 property, as those terms are defined in Section 168(e) of the Internal
289 Revenue Code of 1986, or any subsequent corresponding internal
290 revenue code of the United States, as from time to time amended, and
291 the predominant use of which is for manufacturing, processing or
292 fabricating; for research and development, including experimental or
293 laboratory research and development, design or engineering directly
294 related to manufacturing; for the significant servicing, overhauling or
295 rebuilding of machinery and equipment for industrial use or the
296 significant overhauling or rebuilding of other products on a factory
297 basis; for measuring or testing or for metal finishing; or used in the
298 production of motion pictures, video and sound recordings.
299 "Machinery" means the basic machine itself, including all of its
300 component parts and contrivances such as belts, pulleys, shafts,
301 moving parts, operating structures and all equipment or devices used
302 or required to control, regulate or operate the machinery, including,
303 without limitation, computers and data processing equipment,
304 together with all replacement and repair parts therefor, whether

305 purchased separately or in conjunction with a complete machine, and
306 regardless of whether the machine or component parts thereof are
307 assembled by the taxpayer or another party. "Equipment" means any
308 device separate from machinery but essential to a manufacturing,
309 processing or fabricating process. (ii) "Manufacturing facility" means
310 that portion of a plant, building or other real property improvement
311 used for manufacturing, processing or fabricating, for research and
312 development, including experimental or laboratory research and
313 development, design or engineering directly related to manufacturing,
314 for the significant servicing, overhauling or rebuilding of machinery
315 and equipment for industrial use or the significant overhauling or
316 rebuilding of other products on a factory basis, for measuring or
317 testing or for metal finishing. (iii) "Manufacturing" means the activity
318 of converting or conditioning tangible personal property by changing
319 the form, composition, quality or character of the property for ultimate
320 sale at retail or use in the manufacturing of a product to be ultimately
321 sold at retail. Changing the quality of property shall include any
322 substantial overhaul of the property that results in a significantly
323 greater service life than such property would have had in the absence
324 of such overhaul or with significantly greater functionality within the
325 original service life of the property, beyond merely restoring the
326 original functionality for the balance of the original service life. (iv)
327 "Fabricating" means to make, build, create, produce or assemble
328 components or tangible personal property work in a new or different
329 manner, but does not include the presorting, sorting, coding, folding,
330 stuffing or delivery of direct or indirect mail distribution services. (v)
331 "Processing" means the physical application of the materials and labor
332 in a manufacturing process necessary to modify or change the
333 characteristics of tangible personal property. (vi) "Measuring or
334 testing" includes both nondestructive and destructive measuring or
335 testing, and the alignment and calibration of machinery, equipment
336 and tools, in the furtherance of the manufacturing, processing or
337 fabricating of tangible personal property. (vii) "Biotechnology" means
338 the application of technologies, including recombinant DNA
339 techniques, biochemistry, molecular and cellular biology, genetics and

340 genetic engineering, biological cell fusion techniques, and new
 341 bioprocesses, using living organisms, or parts of organisms, to produce
 342 or modify products, to improve plants or animals, to develop
 343 microorganisms for specific uses, to identify targets for small molecule
 344 pharmaceutical development, or to transform biological systems into
 345 useful processes and products.

346 Sec. 11. Section 12-63 of the general statutes is repealed and the
 347 following is substituted in lieu thereof (*Effective July 1, 2006*):

348 (a) (1) The present true and actual value of land classified as farm
 349 land pursuant to section 12-107c, as amended, as forest land pursuant
 350 to section 12-107d, as amended, or as open space land pursuant to
 351 section 12-107e, as amended, shall be based upon its current use
 352 without regard to neighborhood land use of a more intensive nature,
 353 provided in no event shall the present true and actual value of open
 354 space land be less than it would be if such open space land comprised
 355 a part of a tract or tracts of land classified as farm land pursuant to
 356 section 12-107c, as amended. The present true and actual value of all
 357 other property shall be deemed by all assessors and boards of
 358 assessment appeals to be the fair market value thereof and not its value
 359 at a forced or auction sale.

360 (2) The following schedule of depreciation shall be applicable with
 361 respect to machinery and equipment used in the manufacturing
 362 process:

T1		<u>Depreciated Value</u>
T2	<u>Assessment Year</u>	<u>As Percentage</u>
T3	<u>Following Acquisition</u>	<u>Of Acquisition Cost Basis</u>
T4	<u>First year</u>	<u>Ninety per cent</u>
T5	<u>Second year</u>	<u>Eighty per cent</u>
T6	<u>Third year</u>	<u>Seventy per cent</u>
T7	<u>Fourth year</u>	<u>Sixty per cent</u>
T8	<u>Fifth year</u>	<u>Fifty per cent</u>
T9	<u>Sixth year</u>	<u>Forty per cent</u>

T10	<u>Seventh year</u>	<u>Thirty per cent</u>
T11	<u>Eighth year and thereafter</u>	<u>Twenty per cent</u>

363 (b) (1) For the purposes of this subsection, (A) "electronic data
 364 processing equipment" means computers, printers, peripheral
 365 computer equipment, bundled software and any computer-based
 366 equipment acting as a computer, as defined in Section 168 of the
 367 Internal Revenue Code of 1986, or any subsequent corresponding
 368 internal revenue code of the United States, as from time to time
 369 amended; (B) "leased personal property" means tangible personal
 370 property which is the subject of a written or oral lease or loan on the
 371 assessment date, or any such property which has been so leased or
 372 loaned by the then current owner of such property for three or more of
 373 the twelve months preceding such assessment date; and (C) "original
 374 selling price" means the price at which tangible personal property is
 375 most frequently sold in the year that it was manufactured.

376 (2) Any municipality may, by ordinance, adopt the provisions of
 377 this subsection to be applicable for the assessment year commencing
 378 October first of the assessment year in which a revaluation of all real
 379 property required pursuant to section 12-62 is performed in such
 380 municipality, and for each assessment year thereafter. If so adopted,
 381 the present true and actual value of tangible personal property, other
 382 than motor vehicles, shall be determined in accordance with the
 383 provisions of this subsection. If such property is purchased, its true
 384 and actual value shall be established in relation to the cost of its
 385 acquisition, including transportation and installation, and shall reflect
 386 depreciation in accordance with the schedules set forth in subdivisions
 387 (3) to [(6)] (5), inclusive, of this subsection. If such property is
 388 developed and produced by the owner of such property for a purpose
 389 other than wholesale or retail sale or lease, its true and actual value
 390 shall be established in relation to its cost of development, production
 391 and installation and shall reflect depreciation in accordance with the
 392 schedules provided in subdivisions (3) to [(6)] (5), inclusive, of this
 393 subsection. The provisions of this subsection shall not apply to
 394 property owned by a public service company, as defined in section 16-

395 1, as amended.

396 (3) The following schedule of depreciation shall be applicable with
397 respect to electronic data processing equipment:

398 (A) Group I: Computer and peripheral hardware, including, but not
399 limited to, personal computers, workstations, terminals, storage
400 devices, printers, scanners, computer peripherals and networking
401 equipment:

T12		Depreciated Value
T13	Assessment Year	As Percentage
T14	Following Acquisition	Of Acquisition Cost Basis
T15	First year	Seventy per cent
T16	Second year	Forty per cent
T17	Third year	Twenty per cent
T18	Fourth year and thereafter	Ten per cent

402 (B) Group II: Other hardware, including, but not limited to, mini-
403 frame and main-frame systems with an acquisition cost of more than
404 twenty-five thousand dollars.

T19		Depreciated Value
T20	Assessment Year	As Percentage
T21	Following Acquisition	Of Acquisition Cost Basis
T22	First year	Ninety per cent
T23	Second year	Sixty per cent
T24	Third year	Forty per cent
T25	Fourth year	Twenty per cent
T26	Fifth year and thereafter	Ten per cent

405 (4) The following schedule of depreciation shall be applicable with
406 respect to copiers, facsimile machines, medical testing equipment, and
407 any similar type of equipment that is not specifically defined as
408 electronic data processing equipment, but is considered by the assessor
409 to be technologically advanced:

T27		Depreciated Value
T28	Assessment Year	As Percentage
T29	Following Acquisition	Of Acquisition Cost Basis
T30	First year	Ninety-five per cent
T31	Second year	Eighty per cent
T32	Third year	Sixty per cent
T33	Fourth year	Forty per cent
T34	Fifth year and thereafter	Twenty per cent

410 [(5) The following schedule of depreciation shall be applicable with
 411 respect to machinery and equipment used in the manufacturing
 412 process:

T35		Depreciated Value
T36	Assessment Year	As Percentage
T37	Following Acquisition	Of Acquisition Cost Basis
T38	First year	Ninety per cent
T39	Second year	Eighty per cent
T40	Third year	Seventy per cent
T41	Fourth year	Sixty per cent
T42	Fifth year	Fifty per cent
T43	Sixth year	Forty per cent
T44	Seventh year	Thirty per cent
T45	Eighth year and thereafter	Twenty per cent]

413 [(6)] (5) The following schedule of depreciation shall be applicable
 414 with respect to all tangible personal property other than that described
 415 in [subdivisions (3) to (5), inclusive,] subdivision (2) of subsection (a)
 416 of this section and subdivisions (3) and (4) of this subsection:

T46		Depreciated Value
T47	Assessment Year	As Percentage
T48	Following Acquisition	Of Acquisition Cost Basis
T49	First year	Ninety-five per cent
T50	Second year	Ninety per cent

T51	Third year	Eighty per cent
T52	Fourth year	Seventy per cent
T53	Fifth year	Sixty per cent
T54	Sixth year	Fifty per cent
T55	Seventh year	Forty per cent
T56	Eighth year and thereafter	Thirty per cent

417 [(7)] (6) The present true and actual value of leased personal
418 property shall be determined in accordance with the provisions of this
419 subdivision. Such value for any assessment year shall be established in
420 relation to the original selling price for self-manufactured property or
421 acquisition cost for acquired property and shall reflect depreciation in
422 accordance with the schedules provided in subdivisions (3) to [(6)] (5),
423 inclusive, of this subsection. If the assessor is unable to determine the
424 original selling price of leased personal property, the present true and
425 actual value thereof shall be its current selling price.

426 [(8)] (7) With respect to any personal property which is prohibited
427 by law from being sold, the present true and actual value of such
428 property shall be established with respect to such property's original
429 manufactured cost increased by a ratio the numerator of which is the
430 total proceeds from the manufacturer's salable equipment sold and the
431 denominator of which is the total cost of the manufacturer's salable
432 equipment sold. Such value shall then be depreciated in accordance
433 with the appropriate schedule in this subsection.

434 [(9)] (8) The schedules of depreciation set forth in subdivisions (3) to
435 [(6)] (5), inclusive, of this subsection shall not be used with respect to
436 videotapes, horses or other taxable livestock or electric cogenerating
437 equipment.

438 [(10)] (9) If the assessor determines that the value of any item of
439 personal property produced by the application of the schedules set
440 forth in this subsection does not accurately reflect the present true and
441 actual value of such item, the assessor shall adjust such value to reflect
442 the present true and actual value of such item.

443 [(11)] (10) Nothing in this subsection shall prevent any taxpayer
444 from appealing any assessment made pursuant to this subsection if
445 such assessment does not accurately reflect the present true and actual
446 value of any item of such taxpayer's personal property.

447 Sec. 12. Section 12-94b of the general statutes is repealed and the
448 following is substituted in lieu thereof (*Effective July 1, 2006*):

449 On or before March fifteenth, annually, commencing March 15,
450 1998, and ending March 15, 2011, the assessor or board of assessors of
451 each municipality shall certify to the Secretary of the Office of Policy
452 and Management, on a form furnished by said secretary, the amount of
453 exemptions approved under the provisions of subdivisions (72) and
454 (74) of section 12-81, as amended by this act, together with such
455 supporting information as said secretary may require including the
456 number of taxpayers with approved claims under said subdivisions
457 (72) and (74) and the original copy of the applications filed by them.
458 Said secretary shall review each such claim as provided in section 12-
459 120b. Not later than December first next succeeding the conclusion of
460 the assessment year for which the assessor approved such exemption,
461 the secretary shall notify each claimant of the modification or denial of
462 the claimant's exemption, in accordance with the procedure set forth in
463 section 12-120b. Any claimant aggrieved by the results of the
464 secretary's review shall have the rights of appeal as set forth in section
465 12-120b. With respect to property first approved for exemption under
466 the provisions of subdivisions (72) and (74) of section 12-81, as
467 amended by this act, for the assessment years commencing on or after
468 October 1, 2000, the grant payable for such property to any
469 municipality under the provisions of this section shall be equal to
470 eighty per cent of the property taxes which, except for the exemption
471 under the provisions of subdivisions (72) and (74) of section 12-81, as
472 amended by this act, would have been paid. The secretary shall, on or
473 before December fifteenth, annually, certify to the Comptroller the
474 amount due each municipality under the provisions of this section,
475 including any modification of such claim made prior to December first,
476 and the Comptroller shall draw an order on the Treasurer on or before

477 the twenty-fourth day of December following and the Treasurer shall
478 pay the amount thereof to such municipality on or before the thirty-
479 first day of December following. If any modification is made as the
480 result of the provisions of this section on or after the December
481 fifteenth following the date on which the assessor has provided the
482 amount of the exemption in question, any adjustments to the amount
483 due to any municipality for the period for which such modification
484 was made shall be made in the next payment the Treasurer shall make
485 to such municipality pursuant to this section. [The] With respect to the
486 exemptions approved under the provisions of subdivision (74) of
487 section 12-81, the amount of the grant payable to each municipality in
488 any year in accordance with this section shall be reduced
489 proportionately in the event that the total of such grants in such year
490 exceeds the amount appropriated for the purposes of this section with
491 respect to such year. As used in this section, "municipality" means each
492 town, city, borough, consolidated town and city and consolidated
493 town and borough and each district, as defined in section 7-324, and
494 "next succeeding" means the second such date.

495 Sec. 13. (NEW) (*Effective July 1, 2006, and applicable to assessment years*
496 *commencing on and after October 1, 2006*) (a) For purposes of this section,
497 (1) "machinery" and "equipment" shall have the same meaning as in
498 subdivision (72) of section 12-81 of the 2006 supplement to the general
499 statutes, as amended by this act, and (2) "municipality" means each
500 town, city, borough, consolidated town and city and consolidated
501 town and borough and each district, as defined in section 7-324 of the
502 general statutes.

503 (b) The state shall provide a payment to each municipality
504 representing a percentage of the property tax due on machinery and
505 equipment, when such machinery and equipment is not receiving a
506 payment in lieu of taxes pursuant to section 12-94b of the general
507 statutes, as amended by this act. The taxpayer shall continue to be
508 responsible for the remainder of the property tax. For all such
509 machinery and equipment, the state shall pay to the municipality (1)
510 for the assessment year commencing October 1, 2006, twenty per cent

511 of the property tax due, and the taxpayer shall pay eighty per cent; (2)
512 for the assessment year commencing October 1, 2007, forty per cent of
513 the property tax due, and the taxpayer shall pay sixty per cent; (3) for
514 the assessment year commencing October 1, 2008, sixty per cent of the
515 property tax due, and the taxpayer shall pay forty per cent; (4) for the
516 assessment year commencing October 1, 2009, eighty per cent of the
517 property tax due, and the taxpayer shall pay twenty per cent; and (5)
518 for the assessment year commencing October 1, 2010, one hundred per
519 cent of the property tax due.

520 (c) Municipalities receiving a payment in lieu of taxes for machinery
521 and equipment pursuant to subdivision (72) of section 12-81 of the
522 2006 supplement to the general statutes, as amended by this act, and
523 section 12-94b of the general statutes, as amended by this act, and
524 section 12-94c of the general statutes, shall continue to receive such
525 payment for five years from the date such machinery and equipment
526 became eligible to receive such payment. As such machinery and
527 equipment ceases to be eligible for such payment, the state shall pay a
528 percentage of the property tax due to the municipality, in accordance
529 with the following schedules:

530 (1) For machinery and equipment first included in a payment in lieu
531 of taxes made pursuant to section 12-94b of the general statutes, as
532 amended by this act, for assessment years commencing October 1,
533 2002, the state shall make a payment in lieu of taxes to the municipality
534 for the assessment year commencing October 1, 2006. For the
535 assessment year commencing October 1, 2007, the state shall provide a
536 payment to each municipality representing a percentage of the
537 property tax due on such machinery and equipment. The taxpayer
538 shall continue to be responsible for the remainder of the property tax.
539 The state shall pay to the municipality (A) for the assessment year
540 commencing October 1, 2007, forty per cent of the property tax due,
541 and the taxpayer shall pay sixty per cent; (B) for the assessment year
542 commencing October 1, 2008, sixty per cent of the property tax due,
543 and the taxpayer shall pay forty per cent; (C) for the assessment year
544 commencing October 1, 2009, eighty per cent of the property tax due,

545 and the taxpayer shall pay twenty per cent; and (D) for the assessment
546 year commencing October 1, 2010, one hundred per cent of the
547 property tax due.

548 (2) For machinery and equipment first included in a payment in lieu
549 of taxes made pursuant to section 12-94b of the general statutes, as
550 amended by this act, for assessment years commencing October 1,
551 2003, the state shall make a payment in lieu of taxes to the municipality
552 for the assessment years commencing October 1, 2006, and October 1,
553 2007. For the assessment year commencing October 1, 2008, the state
554 shall provide a payment to each municipality representing a
555 percentage of the property tax due on such machinery and equipment.
556 The taxpayer shall continue to be responsible for the remainder of the
557 property tax. The state shall pay to the municipality (A) for the
558 assessment year commencing October 1, 2008, sixty per cent of the
559 property tax due, and the taxpayer shall pay forty per cent; (B) for the
560 assessment year commencing October 1, 2009, eighty per cent of the
561 property tax due, and the taxpayer shall pay twenty per cent; and (C)
562 for the assessment year commencing October 1, 2010, one hundred per
563 cent of the property tax due.

564 (3) For machinery and equipment first included in a payment in lieu
565 of taxes made pursuant to section 12-94b of the general statutes, as
566 amended by this act, for assessment years commencing October 1,
567 2004, the state shall make a payment in lieu of taxes to the municipality
568 for the assessment years commencing October 1, 2006, October 1, 2007,
569 and October 1, 2008. For the assessment year commencing October 1,
570 2009, the state shall provide a payment to each municipality
571 representing a percentage of the property tax due on such machinery
572 and equipment. The taxpayer shall continue to be responsible for the
573 remainder of the property tax. The state shall pay to the town (A) for
574 the assessment year commencing October 1, 2009, eighty per cent of
575 the property tax due, and the taxpayer shall pay twenty per cent; and
576 (B) for the assessment year commencing October 1, 2010, one hundred
577 per cent of the property tax due.

578 (4) For machinery and equipment first included in a payment in lieu
579 of taxes made pursuant to section 12-94b of the general statutes, as
580 amended by this act, for assessment years commencing October 1,
581 2005, the state shall make a payment in lieu of taxes to the municipality
582 for the assessment years commencing October 1, 2006, October 1, 2007,
583 October 1, 2008, and October 1, 2009. For the assessment year
584 commencing October 1, 2010, the state shall provide a payment to each
585 municipality representing one hundred per cent of the property tax
586 due on such machinery and equipment.

587 (d) On or before November fifteenth, annually, commencing
588 November 15, 2006, the assessor or board of assessors of each
589 municipality shall certify to the Secretary of the Office of Policy and
590 Management, on a form furnished by said secretary, the amount of
591 property tax due on all machinery and equipment located in such
592 municipality that is no longer eligible for the payment in lieu of taxes
593 pursuant to section 12-94b of the general statutes, as amended by this
594 act. The depreciation schedule required pursuant to section 12-63 of
595 the general statutes, as amended by this act, shall apply to all such
596 machinery and equipment. The secretary shall, on or before thirty days
597 prior to the date such tax is due to the municipality, certify to the
598 Comptroller the amount due to each town under the provisions of this
599 section. The Comptroller shall draw an order on the Treasurer on or
600 before fourteen days prior to the date such tax is due to the
601 municipality, and the Treasurer shall pay such amount to such town
602 on or before five days prior to the date such tax is due to the
603 municipality. If for any reason any modification is made to the amount
604 of tax due, any adjustments to the tax due to any municipality for the
605 period for which such modification was made shall be made in the
606 next payment the Treasurer shall make to such municipality pursuant
607 to this section.

608 (e) All municipal valuation and enforcement procedures pursuant to
609 chapters 203, 204 and 205 of the general statutes shall continue to
610 apply to machinery and equipment covered by this section. The
611 assessment of any machinery and equipment for which a state

612 payment is being made pursuant to this section may be appealed by
613 the taxpayer in the same manner in which any taxpayer may appeal an
614 assessment to the board of assessment appeals pursuant to chapter 203
615 of the general statutes.

616 Sec. 14. (NEW) (*Effective July 1, 2006, and applicable to assessment years*
617 *commencing on or after October 1, 2006*) (a) As used in this section,
618 "machinery" and "equipment" shall have the same meaning as in
619 subdivision (72) of section 12-81, of the 2006 supplement to the general
620 statutes, as amended by this act, and "municipality" means each town,
621 city, borough, consolidated town and city and consolidated town and
622 borough and each district, as defined in section 7-324 of the general
623 statutes.

624 (b) Not later than January 1, 2013, the Secretary of the Office of
625 Policy and Management shall determine the amount due to each
626 municipality in the state, in accordance with this subsection, as a state
627 grant in lieu of taxes with respect to manufacturing machinery or
628 equipment. The grant payable to any municipality under the
629 provisions of this section in the state fiscal year commencing July 1,
630 2013, and in each fiscal year thereafter, shall be equal to one hundred
631 per cent of the property taxes which, except for the exemption
632 provided pursuant to subdivision (72) of section 12-81 of the 2006
633 supplement to the general statutes, as amended by this act, would
634 have been paid with respect to such machinery and equipment on the
635 assessment list in such municipality for the assessment year
636 commencing October 1, 2011.

637 Sec. 15. (*Effective from passage*) (a) The following amounts are
638 appropriated from the General Fund for the fiscal year ending June 30,
639 2006:

640 (1) Two million dollars to The University of Connecticut for the
641 purposes of section 1 of this act;

642 (2) Two million dollars to the center for entrepreneurship account
643 established in section 2 of this act;

644 (3) Two million dollars to the small business incubator account
645 established in section 5 of this act;

646 (4) One million dollars to Connecticut Innovations, Incorporated, for
647 the purposes of subsection (d) of section 32-345 of the general statutes,
648 as amended by this act; and

649 (5) Five hundred thirty-five thousand dollars to the Office of the
650 Business Advocate established pursuant to section 8 of this act.

651 (b) The funds appropriated in subsection (a) of this section shall not
652 lapse on June 30, 2006, and shall continue to be available for
653 expenditure for the fiscal year ending June 30, 2007.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2006	New section
Sec. 2	July 1, 2006	New section
Sec. 3	July 1, 2006	32-34
Sec. 4	July 1, 2006	New section
Sec. 5	July 1, 2006	New section
Sec. 6	July 1, 2006	32-344
Sec. 7	July 1, 2006	32-345
Sec. 8	July 1, 2006	New section
Sec. 9	July 1, 2006	12-81
Sec. 10	July 1, 2006, and applicable to assessment years commencing on or after October 1, 2006	12-81(72)(A)
Sec. 11	July 1, 2006	12-63
Sec. 12	July 1, 2006	12-94b
Sec. 13	July 1, 2006, and applicable to assessment years commencing on and after October 1, 2006	New section
Sec. 14	July 1, 2006, and applicable to assessment years commencing on or after October 1, 2006	New section
Sec. 15	from passage	New section

CE *Joint Favorable Subst. C/R*

FIN

FIN *Joint Favorable Subst.*

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:

Agency Affected	Fund-Effect	FY 07 \$	FY 08 \$
Department of Economic & Community Development	GF - Cost	See Below	See Below
CT Innovations Inc. (quasi-public)	Cost	See Below	See Below
Policy & Mgmt., Off.	GF - Cost	See Below	See Below
UConn	GF - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 07 \$	FY 08 \$
All Municipalities	None	See Below	See Below

Explanation

Section 15 appropriates \$7,535,000 from the General Fund from FY 06 carry forward for various programs established in sections 1, 2,5,6,7, and 8 within the bill. These funds are currently not appropriated within sHB 5007, the Appropriations Act, as favorably reported by the Appropriations Committee.

To the extent that the \$10 million dollars in FY 06 carry forward appropriations in sHB 5007, the Appropriations Act, as favorably reported by the Appropriations Committee, provided to the Department of Economic and Community Development (DECD) for Research Based Technology Transfer can be utilized for the various purposes specified above and in the bill, additional costs will not be incurred.

Sections 1 and 2 establish two programs at the University of Connecticut, one for recruiting eminent faculty and one establishing a Center for Entrepreneurship. Section 15 appropriates \$2 million dollars for each of these purposes.

Sections 3 and 4 define and establish an early stage venture capital program to be administered by the Connecticut Innovations Inc. (CII). No funding is specifically provided for this program.

Section 5 establishes a small business incubator competitive grant program to be administered by the DECD. Funds for the program are to be deposited within a separate non lapsing account within the General Fund established in the bill. Section 15 appropriates \$2 million dollars for the grants. The bill does not provide for the costs associated with administering the program. The DECD will require an Economic Development Specialist at a full year cost of approximately \$65,000 in FY 07 plus fringe benefits¹.

Sections 6 and 7 establish a CII matching grant program for micro businesses that have received aid under the SBIR and the small business technology transfer program. Section 15 appropriates \$1 million dollars for this purpose.

Section 8 establishes the Office of Business Advocate, within the Office of Policy and Management, for administrative purposes only. It is anticipated that the office would require \$125,000 to fund the Business Advocate's position². The Business Advocate may, within available funds, appoint necessary staff and will require additional

¹ The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate as a percentage of payroll is 23.6%, effective July 1, 2005. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2005-06 fringe benefit rate is 34.7%, which when combined with the non pension fringe benefit rate would total 58.3%.

² The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate as a percentage of payroll is 23.6%, effective July 1, 2005. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2005-06 fringe benefit rate is 34.7%, which when combined with the non pension fringe benefit rate would total 58.3%.

funds for supplies and equipment. This will result in additional costs, as determined by the Business Advocate. It should be noted, that section 15 of the bill appropriates \$535,000 to the Office of Business Advocate.

Sections 9-14 changes the Payment in Lieu of Taxes for Manufacturing Machinery and Equipment (PILOT MME) and will result in the following state costs:

Fiscal Year	Grand List Year	Total Cost	Less: Current Service Budget for PILOT MME	Remaining Cost
2008	2006	\$78.63	\$ 52.00	\$26.63
2009	2007	\$107.85	\$52.00	\$ 55.85
2010	2008	\$138.70	\$ 52.00	\$ 86.70
2011	2009	\$170.20	\$ 52.00	\$118.20
2012	2010	\$203.00	\$ 52.00	\$151.00
2013	2011	\$217.95	\$ 52.00	\$165.95
All Years Thereafter		\$217.95	\$ 52.00	\$165.95

(All costs expressed in millions)

There is no municipal fiscal impact, as it is anticipated that the state grant will offset the taxes that would have otherwise been collected from FY 08-13. After 2013, the grant amount for each municipality is fixed, and in some instances it may exceed the taxes that a municipality would have otherwise collected, and in other instances it may not be sufficient for what would have otherwise been collected.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 1*****AN ACT CONCERNING JOBS FOR THE 21ST CENTURY.*****SUMMARY:**

The bill exempts all manufacturing machinery and equipment (MME) from property taxes and reimburses towns for the revenue loss after five years. It does so by simultaneously phasing out the current, limited exemption and phasing in the new one, under which the state must reimburse towns for the entire revenue loss.

The bill establishes several new programs designed to encourage and support innovation. It establishes a faculty recruitment and entrepreneurial center at the University of Connecticut and authorizes operational funds for small business incubators. It also establishes new programs at Connecticut Innovations, Inc. to finance early stage ventures and match federal research assistance. The bill appropriates \$8 million for these programs for FY 2006 and specifies that the funds carryover to only FY 2007.

Lastly, the bill establishes a Business Advocate Office to help small businesses identify and access public and private business assistance programs.

EFFECTIVE DATE: July 1, 2006, except for (1) the provisions phasing out the current MME property tax exemption, phasing in the new one, and determining the state reimbursement for the new exemption, which take effect July 1, 2006 and apply to assessment years beginning on or after October 1, 2006 and (2) the appropriations for the innovation programs, which take effect upon passage.

§§ 9-14 - MME PROPERTY TAX EXEMPTION***Exemption and Exemption Phase-In***

The bill exempts all MME from local property taxes after a five-year phase-in, with the full exemption taking effect in the assessment year beginning October 1, 2011. Currently, only new and newly acquired MME is exempt from property taxes and then only for its first five years.

The bill continues the existing five-year exemption program until the assessment year beginning October 1, 2011. That program will continue to cover MME acquired between October 1, 2002 and October 1, 2006. At the same time, the bill gradually exempts MME that is six years old or older from property tax. It phases in the additional exemption over five years. Between assessment years beginning October 1, 2006 and October 1, 2011, the bill increases the exempt portion by 20% per year. The exemption phase-in applies to MME that (1) is already six years old or older in the October 1, 2006 assessment year or (2) turns six years old between the October 1, 2006 and the October 1, 2011 assessment years.

State Payments in Lieu of Taxes (PILOT) and New Payment Phase-In

Under current law, the state is required to reimburse towns for 80% of the revenue loss resulting from the five-year property tax exemption for new and newly acquired MME. But, also under current law, the 80% state PILOT grant must be proportionately reduced in any year in which the state appropriation for the grant is not sufficient to pay the full amount to every town. The bill eliminates the authorization for the proportionate reductions, thus requiring the state to pay the full 80% PILOT for MME exempted under the five-year exemption program.

In addition to the 80% PILOT for MME that is exempt under the existing program, the bill requires the state to provide a second payment to towns for the revenue they lose from the phased-in exemptions for older MME not covered by the existing program. As the percentage exemptions for older MME increase during the phase-in, the bill requires the state payment for those exemptions to increase

correspondingly. The owner of the older MME continues to pay any property tax not covered by the state payment during the phase-in.

The table below shows the MME exemption phase-in for each assessment year from October 1, 2006 through October 1, 2011. Shaded areas show the years in which MME is under the existing MME exemption with an 80% state PILOT. White areas show the percentage exemption applicable to older MME in each year and the corresponding state payment for that exemption.

**PROPERTY TAX EXEMPTION PHASE-IN FOR
MANUFACTURING MACHINERY AND EQUIPMENT**

Assessment Year Starting	EXEMPTIONS FOR MME ON GRAND LISTS AS OF 10/1/06				
	(Note: In shaded years, although MME is 100% exempt, state PILOT is 80% of lost revenue)				
	<u>Year 1</u> MME Acquired before 10/1/02	<u>Year 2</u> MME Acquired 10/1/02	<u>Year 3</u> MME Acquired 10/1/03	<u>Year 4</u> MME Acquired 10/1/04	<u>Year 5</u> MME Acquired 10/1/05
10/1/06	20%	100%	100%	100%	100%
10/1/07	40%	40%	100%	100%	100%
10/1/08	60%	60%	60%	100%	100%
10/1/09	80%	80%	80%	80%	100%
10/1/10	100%	100%	100%	100%	100%

Exemptions and Payments as of October 1, 2011

The bill permanently exempts all MME from property tax and closes out the existing five-year MME exemption program at the beginning of the October 1, 2011 assessment year. Starting with the fiscal year beginning July 1, 2013, the bill also freezes the state's annual MME payment to each town at 100% of the property taxes the town would have received in the October 1, 2011 assessment year if MME were not tax-exempt. Each town's payment remains fixed at that amount for each fiscal year thereafter, regardless of fluctuations in the value of MME on a town's annual grand list. The OPM secretary must determine the amount of each town's flat payment by January 1, 2013.

MME Depreciation Schedule

The bill makes the statutory depreciation schedule for valuing MME for property tax purposes mandatory instead of optional for towns. The schedule requires towns to depreciate MME for property tax purposes to 20% of its original cost over eight years and to maintain the 20% residual value for as long as the property remains on its grand list.

Administration

The bill requires towns to certify the amount of property tax due on MME that is no longer eligible for the 80% PILOT payment under the five-year exemption program to the OPM secretary annually by November 15th, starting in 2006. The secretary must certify the amount payable to a town to the comptroller within 30 days; the comptroller must order the treasurer to pay the amount within 14 days; and the treasurer must pay the town within five days before the tax is due to each town. Any needed adjustments to the tax due must be accounted for in the next payment.

The procedure for certifying the tax due is similar to the current procedure for certifying the tax under the current MME exemption. The bill continues the current procedure until March 15, 2011, after which certification for all MME will be done under the bill's procedure. But in terminating the procedure after that date, the bill also terminates certification for the five-year, 80% exemption for commercial vehicles.

The bill applies all existing valuation and enforcement procedures to exempt MME and allows taxpayers to appeal assessments of the property to local boards of assessment appeals according to existing laws.

Machinery and Equipment Covered

Under both current law and the bill, the MME exemption covers machinery and equipment used in biotechnology or installed in a manufacturing facility and used predominantly for, or in:

1. manufacturing, processing, or fabricating;
2. manufacturing-related research and development, including experimental or laboratory research and development;
3. manufacturing-related design or engineering;
4. significant servicing, overhauling, or rebuilding machinery and equipment for industrial use;
5. significant overhauling or rebuilding of other products on a factory basis;
6. measuring, testing, or metal finishing; or
7. production of movies or video or sound recordings.

No one may receive a property tax exemption for the same machinery or equipment under both the bill and either of two existing exemptions for (1) machinery and equipment in a manufacturing facility located in a distressed municipality, targeted investment community, or enterprise zone and (2) machinery and equipment acquired as part of a technological upgrading of a manufacturing process.

INNOVATION

§§ 1 & 15(1) - Eminent Faculty Recruitment Program

The bill requires the University of Connecticut's trustees to establish a program for recruiting eminent faculty and their research staffs to the university and appropriates \$2 million for FY 06 for it. The program must target faculty that have demonstrated excellence in their research fields, want to work collaboratively with other UConn scientists, and are interested in finding ways to commercialize their research.

The program must facilitate the recruitment process, with the aim of accelerating applied research and development in a way that supports the state's economic development and promotes core

competency areas. It must do so by supplementing faculty's compensation and related personnel and material costs. But it may do so only if industry or other sources will match its funds.

§§ 2 & 15(2) - Center for Entrepreneurship

The bill requires UConn to establish a center for training the next generation of entrepreneurs in an experiential manner that would help the state's businesses and appropriates \$2 million for FY 06 for this purpose. The center must:

1. train faculty and student inventors in commercialization and issues that generate business opportunities,
2. allow faculty and students to help technology-based programs find real time solutions to their business problems, and
3. establish an intellectual property law clinic.

The center must perform some of these tasks in conjunction with other entities. It must help technology-based companies through the business school's accelerator program, and it must establish the clinic in conjunction with the law school. The center must leverage other resources by colocating the accelerator program and the clinic with the nonprofit Connecticut Center for Advanced Technology.

§§ 3 & 4 - Early Stage Venture Capital

The bill establishes program to provide venture capital to people and new businesses in the early stages of developing new products and processes. The quasi-public Connecticut Innovations, Inc. (CII) must administer the program, which must offer the following types of financing:

1. preseed (for researching and formulating a concept),
2. seed (for assessing viability of a concept and to qualify it for start-up financing),
3. start-up (for helping emerging companies or newly formed ones

with recently developed and commercially viable products),

4. early stage or first-stage (to help companies with fully developed and test products mass produce them), and
5. expansion (to help companies expand their markets or improve their fiscal position before they sell stock or offer themselves for sale to other companies).

The bill specifies how CII must apportion the funds allocated for the program. CII must allocate at least:

1. 5% for preseed financing,
2. 10% for seed financing,
3. 10% for start-up financing,
4. 15% for early or first-stage financing, and
5. between 40% and 60% for expansion financing.

CII must run the program. It must develop a plan to market it and establish criteria for providing each type of financing it offers. Its board must review and approve each application for financing. The bill allows CII to use up to 3% of the program's funds to cover administrative and marketing expenses.

§§ 5 & 15(3) - Small Business Incubator Program

The bill authorizes competitive grants to nonprofit organizations operating incubator facilities and appropriates \$2 million for this purpose for FY 06. It requires the economic and community development commissioner to award the grants, which the organizations can use to cover the cost of operating the facility and providing programs for small and micro businesses. An organization qualifies for a grant if its incubator facility provides space, unique technical resources, and support services to small and micro businesses.

An organization applying for a grant must submit an expenditure plan as the commissioner prescribes. The plan must show if the organization will use the grants to fund feasibility studies, provide investment capital, or cover operating costs.

The bill establishes a separate, nonlapsing General Fund account to fund the grants. The account must contain any money the law requires to be deposited in the account, and its investment earnings must be credited to it.

§§ 6-7 & 15 (4) - Matching Grants for Micro Businesses

The bill authorizes matching financial assistance for micro businesses that receive federal funds under the Phase II Small Business Innovation Research or Business Technology Transfer programs and appropriates \$ 1 million for this purpose for FY 06. It requires CII to establish the program for providing this assistance under the Connecticut Technology Partnership Program, which the bill renames as the Connecticut Development Research and Economic Assistance Matching Grant Program.

A business qualifies for matching assistance if it, including its affiliates, is independently owned and operated and (1) employs fewer than 50 full-time employees or (2) has gross annual sales under \$5 million (i.e., micro business). The micro business must use the CII matching assistance for the same purposes it must use the federal assistance.

The bill allows CII to decide when micro businesses can apply for the matching assistance and how. But it requires each application to:

1. indicate the applicant's principal business location,
2. explain how it intends to use the matching assistance, and
3. provide any other information CII requires.

The bill exempts proprietary information in the application from the Freedom of Information Act.

In deciding whether to approve an application, CII must at least consider the proposed project and proof that the applicant is satisfactorily participating in the federal program.

§§ 8 & 15 (5) - OFFICE OF BUSINESS ADVOCATE

Purpose

The bill establishes the office within OPM for administrative purposes only. The office must serve as an information clearinghouse on public and private business assistance programs and identify and contact small businesses that could benefit from these programs. In contacting these businesses, the office must identify their needs, providing information about the programs that could address them, and help the businesses access those programs. The bill appropriates \$535,000 to the office for FY 06.

Business Advocate

The governor must appoint the advocate, with the legislature's approval. The advocate serves a four-year term, and the governor may reappoint him to additional four-year terms. Otherwise, he serves until his successor is appointed and qualified or until he is removed by law. The advocate must know about businesses, their needs, and the range of public and private organizations that can address those needs. He must also have the background needed to run the office.

Staffing and Reporting

The advocate can appoint the staff he deems necessary within available funds. He may delegate his powers and duties to the staff as long as he supervises them. The legislature may annually appropriate funds to cover their salaries and the offices' expenses. The advocate must submit annual reports to the governor and legislature analyzing the office's work.

BACKGROUND

Related Bill

sSB 676, reported favorably by the Finance Committee, has the same MME exemption.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute Change of Reference

Yea 26 Nay 0 (03/16/2006)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 45 Nay 5 (04/04/2006)