

NB-5435

**Testimony of Matthew Nemerson, President of the Connecticut Technology Council
Speaking on March 9, 2010 to the Commerce Committee (edited version)**

Distinguished chairmen Sen. LeBeau and Rep. Berger and members of the committee, As President of the Connecticut Technology Council I represent a statewide community of over 2,500 technology oriented firms employing over 150,000 individuals whose jobs are related in some way to innovation and technology. We also work with another 500 smaller firms just starting and hoping to plant roots here in Connecticut.

This is the fifth year we have come to support the idea of using state resources to leverage additional early stage private investments in innovative companies and so we are delighted to speak in favor of the concepts embodied in Raided Bill 5435, An act support the recommendations of the Majority Leader's Job Growth Roundtable which I had the honor to be selected to participate on.

You will hear after me from representatives of the Angel Investor community so I will not go into any details now about the specifics of that industry nor the many examples of how incentivizing and leverage angel dollars can help grow state and regional economies. But, I do want to speak to the themes that were discussed in the Report of Program Review and Investigations Committee reports of last fall and this winter.

Connecticut is clearly reeling from a period of slow growth and confusion about its economic future. While we suffer more than other locations because of our extreme reliance on high value added jobs and the presence of existing wealth to fuel our business cycles, we are not that different from many increasingly post-industrial western sovereign democracies.

Government and business must work together to help Connecticut win against the forces of global competition. It is no longer possible to be passive and hope that what worked yesterday will bring success today and tomorrow in the exercise of policies and planning for economic growth. In truth, what we learn from the past is that it is always time to try new things and to be smarter than our neighbors when it comes to infrastructure, capital markets, incentives and work force preparation. Our challenges are little different from those facing us in 1830, 1860, 1920, 1950 or 1995...except that instead of competing with Springfield, North Carolina or Mexico we are now competing with Singapore and Bangalore.

And competition may not be the right word...we are really seeking to find our proper role in a global economy that we find ourselves wanting to be connected to and needed by. So how does that get us to Bill 5435? The scope of this bill, even if there are elements that need refining speaks to a new way of approaching innovation and support of its commercialization as part of a complex growth eco-system that needs support and attention. We applaud the leadership of the legislature as we applauded the work of the Program review and Investigations Committee report for outlining the many issues and possible policy responses to the state's deficiencies.

The elements of this bill - \$12m for pre-seed funding, the angel tax credit, support of grants to SBIR applicants, an ability to conduct some impactful marketing of the state related to a realistic depiction of our philosophy towards being a "place of innovation (assuming we can accomplish this reality)", the re-inclusion of state clusters as part of a legitimate system of analysis, the elimination of duplicative procedures and the addressing of a jobs creation tax credit are all worthy if complicated goals.

There are some details in this bill which I think need to be refined. The detailed allocation of percentages by age of growing companies in Section 5, Part d, seems out of step with a true eco-system approach. Perhaps it is the best way to start from and then adjust to.

The whole role of CT Innovations is one where we should set them up to be as successful and useful as possible. Their role as a manager of a process versus their being the very best early stage public venture fund possible needs to be debated and discussed.

The problem in the past is that Government organizations can collect information and analyze it on a case by case basis, but this same group might not be able to process a change in direction or strategy if its data shows symmetric problems, the political reality is that failure and redirection is often not an available public possibility in a politically charged environment. But, with on-going feedback and non-judgmental adjustments made every two years or so we can keep a balance and effective process. Agency capture and lack of rigorous self-analysis is an often pointed out issue for many state and regional TBED programs.

Competing private groups under an umbrella may be a more effective model than to mix funding, investing and overseeing in one body, and CI's expertise is clearly as an early stage investor in firms that may do well in the state. We need to examine the role of sectors and groups in playing the complex roles that are incorporated in this bill.

This is said with knowledge that perfection is the enemy of the good, but that reorganizations come but once a generation.

I urge you to support this bill with some modifications and refinements and we look forward in helping in any way we can as the process moves this legislation towards passage.