



Statement of Connecticut Innovations regarding Raised S.B. 1136 An Act Lowering the Threshold for Angel Investors and Raised H.B. 6525 An Act Concerning the Continuance of the Majority Leaders' Job Growth Roundtable.

Good Morning, Senator LeBeau, Representative Berger and members of the Commerce Committee. Thank you for the opportunity to comment today on Raised S.B. 1136 An Act Lowering the Threshold for Angel Investors and Raised H.B. 6525 An Act Concerning the Continuance of the Majority Leaders' Job Growth Roundtable. These bills both address important aspects of economic development.

In July 2010, Connecticut Innovations launched the Angel Investor Tax Credit Program that was created in last year's jobs bill. To date, there has been a lot of interest in the program. 10 Angel Investors have invested \$ 2,145,000 in 7 Connecticut business' that have qualified under the program. These investors have received \$536,250 in tax credits for making these investments. Currently 21 Connecticut businesses have qualified under the program and are posted on the website. The biggest problem angel investors have to overcome in order to participate in the program relates to the fact that the minimum investment specified in statute is \$100,000. This amount is too high. Most angel investments are in the \$20,000 -\$25,000 range. Under current law, in order for angel investors to benefit from the tax credit program 4 or 5 of them would have to form a limited liability company and pool the investments to reach the \$100,000 minimum. This is cumbersome and burdensome for angel investors. By lowering the minimum investment amount to \$25,000, as is done in S.B. 1136 and section 4 of H.B. 6525, more angel investors will be able to participate in the program thereby making more investment capital available to start-up ventures.

Section 4 of the H.B. 6525 makes a second modification to the angel investor tax credit program. It removes the requirement that a business have a "proprietary" technology, product or service. This revision will allow more businesses in Connecticut to qualify for angel investments under the program.

Section 2(b) of H.B. 6526 adds clarifying language relating to what qualifies as "private investment dollars" under the pre-seed program created by last year's jobs bill. Under current law, companies can qualify for a pre-seed investment from Connecticut Innovations if certain conditions are met. One condition is that a company must demonstrate that they have raised private capital in an amount not less than fifty cents for every dollar sought under the program. There was some concern that certain funding from the University of Connecticut would not qualify as "private investment dollars" and UCONN is seeking the clarifying language found in section 2. CI supports this language.

Regarding sections 9 through 11 of H.B. 6525, in 2008 the legislature moved the Connecticut SBIR office from the Connecticut Center for Advanced Technology to CI. The SBIR office runs several very effective programs helping small businesses, mostly manufacturing businesses, apply for, and win, federal grants. Since it was moved over, CI has underwritten the expenses of maintaining the SBIR office and has sought to create synergies between the work done by them and CI's core mission. CI opposes this proposal because it does not support the governor's goal of streamlining the state's economic development efforts.

