
OLR Bill Analysis

sHB 5018

AN ACT CONCERNING CONNECTICUT INNOVATIONS, INCORPORATED, AND THE CONNECTICUT DEVELOPMENT AUTHORITY

SUMMARY:

This bill merges the Connecticut Development Authority (CDA) into Connecticut Innovations, Inc. (CII), transferring CDA's statutory mission, powers, obligations, and assets to CII and allowing the two agencies to take specific steps to facilitate the transfer.

CDA and CII are quasi-public economic development agencies. CDA makes and guarantees business loans and provides other forms of financing for business and infrastructure projects. CII invests venture capital in early stage technology-based businesses and provides other types of financing and technical assistance for developing new products and techniques.

The bill makes a CDA subsidiary, the Connecticut Brownfield Redevelopment Authority, a CII subsidiary. But it also allows CII to form subsidiaries to remediate contaminated property or fulfill its statutory purposes.

Lastly, the bill expands CII's board of directors from 15 to 17 members, adding the treasurer and another gubernatorial appointee. It also changes the board's composition by requiring the governor to appoint three members with backgrounds in business lending and development, in addition to six experienced in developing innovative start-up businesses. Under current law, the governor appoints eight members, at least six of whom must be knowledgeable about technology development.

The bill makes many conforming changes.

EFFECTIVE DATE: July 1, 2012, except for the provisions authorizing the steps CDA and CII can take to facilitate the transfer, which take effect upon passage.

TRANSFERS TO CII

§ 2 — Powers, Obligations, and Assets

The bill transfers CDA's mission, powers, duties, and functions to CII, thus expanding CII's mission to include financing business, infrastructure, and brownfield cleanup projects. It specifically allows CII to exercise these powers to fulfill its statutory duties as well as CDA's.

The bill transfers CDA's obligations to CII, making them CII's obligations. These include bonds, notes, and other debt CDA incurred to finance projects and the terms and conditions under which it did so. The bill specifically makes CDA's resolutions and other actions in support of a project CII's, subject only to agreements with parties holding the outstanding bonds, notes, and other obligations.

The bill also transfers CDA's procedures to CII, specifying that they control any matter before it.

Lastly, the bill transfers to CII the assets CDA pledged to secure its bonds, notes, and other obligations. These assets include real and personal property and funds, money, revenue, and receipts.

§ 4 — Subsidiaries

The bill authorizes CII to form subsidiaries to fulfill its statutory duties and provide money and property to help them do so. Current law allows CII to create affiliates. Under the bill, CII can organize a subsidiary as a stock or nonstock corporation or a limited liability company and specify its powers in a resolution stating the subsidiary's purpose. These subsidiaries operate under similar conditions as CDA's subsidiaries currently do, except the bill prohibits them from borrowing money without CII's approval.

Although the bill makes CDA's brownfield remediation subsidiary a CII subsidiary, it also allows CII to form one or more subsidiaries for

the same purposes and under similar conditions. But the bill does not exempt CII or any of its subsidiaries from paying the Department of Energy and Environmental Protection's fee for a covenant not to sue. Current law exempts CDA and its subsidiaries from this fee.

§ 3 — *Transfer Mechanism*

The bill allows CDA and CII to enter into agreements with each other and third parties to facilitate the transfers described above, including CII's assumption of CDA's rights and responsibilities. They may do so between the bill's effective date and July 1, 2012 (i.e., the transfer period). But transfers occur regardless of whether third parties consent to them or CDA and CII enter into transfer agreements.

Unrelated to the bill's authorization to enter into agreements, the bill requires CDA to help CII prepare for and complete the transfers. In doing so, CDA must give CII the necessary professional and clerical support facilities, equipment, and supplies during the transfer period.

§ 26 — *State Pledge to CDA Bond Holders and Contractors*

The bill transfers to CII the state's pledge to CDA's bond holders and contractors. Under that pledge, the state agrees not to limit or change CDA's rights until CDA meets its contractual obligations or, if the state does so, it adequately protects these parties. The bill extends this pledge to CII as CDA's successor.

§ 8 — *CII BOARD OF DIRECTORS*

The bill increases CII's board of directors from 15 to 17 members and changes its composition to reflect CII's new powers and duties. Currently, the board consists of three ex officio and 12 appointed members. The ex officio members are the economic and community development commissioner (who is also the board's chairperson), the Board of Regents of Higher Education's president, and the Office of Policy and Management secretary. The bill adds the treasurer.

Under current law, the governor appoints eight members, at least six of whom must be known for their knowledge, skills, and experience in developing innovative technology and technological

processes, including academic research, technology transfer and applications, and inventions and new enterprises.

The bill increases the gubernatorial appointments from eight to nine and specifies that six such members must have knowledge, skills, and experience in developing innovative start-up businesses, including the activities listed above. It also requires three members to be known for their skill, knowledge, and experience in financial lending or developing trade, commerce, and business.

By law, which the bill does not change, the legislative leaders appoint four members.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/27/2012)