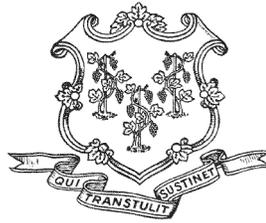


SENATOR MARTIN M. LOONEY  
PRESIDENT PRO TEMPORE

Eleventh District  
*New Haven, Hamden & North Haven*



State of Connecticut

SENATE

State Capitol  
Hartford, Connecticut 06106-1591  
132 Fort Hale Road  
New Haven, Connecticut 06512  
Home: 203-468-8829  
Capitol: 860-240-8600  
Toll-free: 1-800-842-1420  
[www.SenatorLooney.cga.ct.gov](http://www.SenatorLooney.cga.ct.gov)

TESTIMONY BEFORE THE FINANCE, REVENUE & BONDING COMMITTEE  
Senator Martin M. Looney  
March 22, 2016

**In support of S.B. 1, An Act Concerning Innovation, Entrepreneurship and  
Connecticut's Economic Future**

Good afternoon Senator Fonfara, Representative Berger, and members of the Finance, Revenue & Bonding Committee. My name is Martin M. Looney, state senator for the 11<sup>th</sup> District, which includes the communities of New Haven, Hamden and North Haven.

I come before you today in support of Senate Bill 1, legislation which aims to create a robust, supportive ecosystem for innovators and entrepreneurs in Connecticut. As you all know, Connecticut has many economic strengths, and has long been a national and worldwide leader in innovation.

The concept of interchangeable parts, the aerospace industry, the first can opener, the first color television, the submarine and anesthesia all owe their creation to Connecticut innovators. The sewing machine, the first artificial heart, the first FM radio station and the first vacuum cleaner also got their start here. Connecticut has a longstanding history of innovation and creation of new business ventures to commercialize those inventions.

This potential still exists today. Connecticut boasts some enormous economic assets—leading research institutions like Yale and UConn, a highly educated and efficient workforce, emerging strength in industries like bioscience, and more Fortune 500 companies per capita than any other state. Yet sadly, we have been lagging our region for many years now in one key area: the formation of entrepreneurial startup companies.

Since at least the year 2000, Connecticut has fallen behind all other New England states and New York in the formation of new business establishments (see attached chart). Over the last ten years, we have also seen the age distribution of all Connecticut firms shift slightly older. This is important because economists have established that job creation rates are highest at young companies—particularly those that experience rapid growth. By contrast, older businesses generally maintain steady rates of employment, or seek to reduce their number of positions in an effort to cut costs. That is not a criticism; it is simply the nature of our free market system.

An economy that wishes to remain competitive in the globalized world of the 21<sup>st</sup> century must provide a robust environment for the creation of new businesses and the support of the people who make them possible—entrepreneurs. Looking across the country, we can

see many examples of communities that excel at creating such an environment, including our neighbors in Boston and the entrepreneurial dynamo of Silicon Valley in California.

The case of our neighbors in Boston is particularly instructive. That city has long benefitted from the world-class research and scholarship on the nearby Harvard and MIT campuses. Taken in conjunction with an entrepreneurial spirit and close collaborations with the business community—particularly at MIT—one of the most robust entrepreneurial areas in the country has emerged.

Yet Boston has not been content to rest on its laurels. The city has successfully capitalized on its existing strengths by expanding the innovative activity in and around Cambridge to other parts of the city. In 2010, then Mayor Menino declared his intention to transform the underdeveloped Seaport District of Boston into an Innovation District—a dense, vibrant, highly walkable and sociable neighborhood where work and life intersect in close proximity. The regular interactions amongst innovative minds fostered in such an environment make these areas very attractive to entrepreneurs and innovators. It also serves to organically attract mid and large-sized businesses to the same area, by cultivating a highly skilled workforce and facilitating collaborations of many kinds.

By working with private sector partners, and encouraging key institutions like the MassChallenge business accelerator to establish a presence in the Seaport Innovation District, Mayor Menino succeeded in transforming the once isolated and desolate neighborhood into a vibrant, up-and-coming area for entrepreneurs and new businesses. It is precisely this innovative and exciting environment which has attracted the new corporate headquarters of General Electric to Boston.

To be clear, Connecticut is not Boston. Neither is it Silicon Valley or New York City, but the innovation district model is not limited to communities of that scale. At least 17 states across the country have now seen some form of state or local government support for the creation of Innovation Districts.

The City of Pittsburgh, once famous for its steel mills, has recently remade itself as a center of innovation, building on the strengths of Carnegie Mellon, the University of Pittsburgh and other key local institutions. Pittsburgh residents' view on their city has changed dramatically, bringing about a strong sense of optimism for the city's future.

Senate Bill 1 lays out a robust, five-part framework for the creation and support of a reinvigorated culture of innovation and entrepreneurship in Connecticut. It provides for the creation of our own Innovation Districts, but also takes steps to support entrepreneurs in other essential ways: promoting the availability of more private venture capital, supporting business accelerators, engaging our universities, clarifying state leadership and last but not least focusing on job training to supply new businesses with the skilled workers they will need.

Yet as we proceed to discuss this framework, I would urge no one to miss the forest for the trees in the details of this bill. The intent of this legislation is not to advance a pre-conceived, government-driven framework of what an innovative and entrepreneurial

Connecticut must look like. Rather, it is our hope and goal to set out a target, an aspiration for the state to excel in this area, to build upon our state's significant economic strengths and fully utilize their potential. I would ask everyone in Connecticut's business community, our entrepreneurs, our citizens and our economic development officials to view this bill as an open framework and an invitation to collaborative discussion. We welcome constructive feedback from all toward a common vision for a brighter economic future for Connecticut.

One word regarding the cost of these proposals. Our state faces significant and pressing budget challenges. As a consequence, all funding proposed in this bill is reallocated from existing resources. Innovation and entrepreneurship must be a focus and priority of our state's economic development efforts, and the state's spending must reflect that. Amidst ongoing budgetary and economic challenges, the time for investment in this critical area of our economy has never been more essential. It will pay a significant return to Connecticut's taxpayers and help to diversify our economy in much needed ways.

### **Focusing the State as Partner**

State government cannot be the primary driver of entrepreneurial progress. But it can be a convener, an aid and a constant partner. Current responsibility for state support of entrepreneurs is not as well defined as it might be. Clarifying leadership and roles will help the state to become an ideal partner to Connecticut startups.

We propose the creation of a new private-public partnership called ImpaCT to promote and coordinate state activities concerning entrepreneurship and innovation. Crucially, this entity will be private-sector driven, led by an appointed panel of serial entrepreneurs and venture capitalists. To clarify roles, the bill aims to consolidate most startup support functions now performed at Connecticut Innovations (CI) and DECD into this new entity, including the ongoing CTNext programs.

Yet Connecticut Innovations has long been and will remain an essential backbone of the state's support for startup companies. This bill proposes the creation of a new initiative, StartupCT (more on this below) administered by CI to take support of startups in our state to the next level. Our bill proposes to refocus CI on what it has always done best—evaluating and entering into investments with CT startup companies. We also propose instituting performance-based pay at CI, and requiring every CI deal to include a private partner—to ensure offers are competitive and to attract new private capital to the state.

### **Innovation Districts & Places**

As described in the cases of Boston and Pittsburgh above, Senate Bill 1 proposes the designation and support of Innovation Districts to bring innovators and entrepreneurs together in dense, highly walkable neighborhoods where their interactions with one another will amplify their accomplishments.

The bill envisions an open, competitive process to designate the districts, with the panel of ImpaCT serving to make the final selections. For a district to succeed it must secure the broad support of its entire community, and for this reason the bill encourages entire community groups to come together and collaborate on devising a community and

private-sector driven plan for a local innovation district less than one half square mile in size. For instance, if a particular community features a college, a hospital campus and an existing business incubator in close proximity to one another, those organizations might come together with a local business council or industry association to devise a plan for improvement and growth of their neighborhood as an innovation district.

Applications will be judged on several criteria enumerated in the bill, including the breadth and quality of the group formed to apply, broad community support, plans to foster density and interactions among neighborhood residents, workers and visitors, the role and number of anchor institutions (universities, research centers, hospitals, accelerators), and plans to make the most of mixed-use zoning, walkable areas and access to public transit. ImpaCT may award grants to selected districts in support of their specified development plans.

ImpaCT may also award smaller grants to Innovation Places, unique locations in any part of the state which meet some of the same criteria and goals sought in Innovation Districts, but on a smaller scale.

### **Private Investors & Supporting Startups**

Startup businesses need much more than a driven founder and a clever concept. Mentors, advice, space to work, equipment, support services and investment capital are all essential to bringing a new venture from business plan to business success.

Senate Bill 1 proposes the creation of StartupCT through Connecticut Innovations, an effort modeled in part on the existing InvestCT program. The program would establish six new private investor-led funds for the support of Connecticut startup companies. Each fund will leverage state funds and tax credits with private capital to support a greater number of companies. Investors' eligibility for incentivizing tax credits will be conditional on their companies meeting specified job creation targets.

The bill also proposes AccelerateCT, an initiative to support new, privately-run business accelerators. Accelerators take startups with growth potential and provide them with a year of low or free rental space, business support services and advice, and sometimes access to capital equipment and other resources.

Finally, the bill extends the existing Angel Investor Tax Credit, which would otherwise expire at the end of this fiscal year, for a further three years.

### **Engaging Our Universities & Colleges**

Connecticut is home to some of the best colleges and universities in the world. By capitalizing on the innovations developed by Connecticut faculty and students, our state can harness their innovative spirit, and ensure that every groundbreaking idea with business potential has the opportunity and the support to be fully realized.

Connecticut has invested billions to transform UConn into a Top 20 public research university. Yet UConn has yet to establish itself in the area of research-driven entrepreneurialism. Senate Bill 1 will conditionally provide \$1 million in funds through

ImpaCT to support new entrepreneur-oriented staff and programming at UConn, provided that the UConn Foundation raises \$1 million to match. It will also dedicate one of the six \$30 million funds created through StartupCT to support early-stage companies that grow out of UConn technology.

ImpaCT will be charged with creating an Intercollegiate Tech Transfer office, to provide patenting, licensing and commercialization support services to both public and private colleges in Connecticut who do not currently have such resources. This service will unleash the hidden potential of researchers and would-be entrepreneurs at private and public higher education institutions across our state, helping to keep our young people with ideas in Connecticut rather than being lured away to New York, Boston or California.

### **Job Skills & Training Opportunities**

New companies will of course need new employees to help them run. To ensure prospective employees have the experience and training necessary to make the most of these opportunities, Senate Bill 1 proposes added support for night classes at CT vo-tech schools to teach information technology (IT), digital media, the skilled trades and other valuable work skills to students of all ages.

The bill also includes expanded support for the Dream It Do It initiative, which helps expose middle school students, through workshops, to all the facets of the field of manufacturing. It introduces a Manufacturing Careers Program to provide training in technical skills, followed by 6-week internships or more formal 12-week on-the-job training. Finally, it also seeks to establish a statewide mentorship network to connect would-be entrepreneurs with experienced mentors.

### **Conclusion**

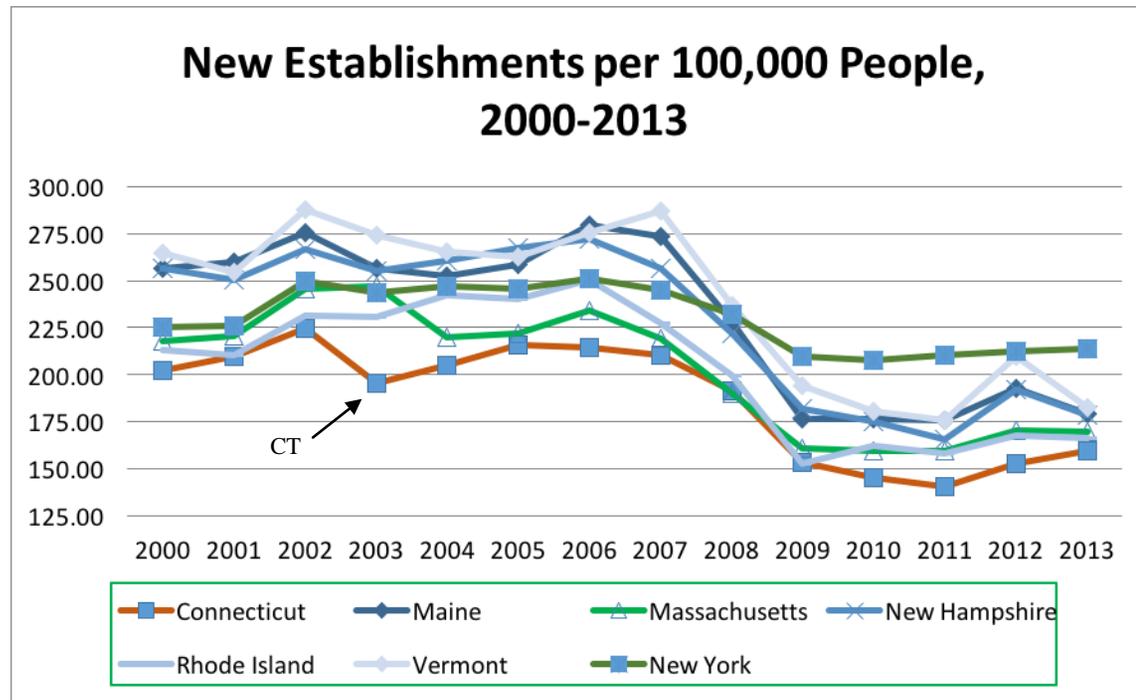
Innovation and entrepreneurship must be a major focus of Connecticut's economic development strategy from this day forward. Our existing economic development efforts have achieved significant results, but we can and must take our broader economic strategy to the next level.

Our state possesses many strengths—in the quality of our highly educated workforce, in our excellent universities, and in our long and proud history of innovation. By fostering, amplifying and channeling these strengths, I know we can take Connecticut to a leading position on the formation of vibrant, rapidly growing new businesses.

The current draft of this bill is a model, one set of proposals on how we might work together to achieve this goal. I welcome and would request feedback and constructive criticism from all sectors of the state on how that vision can best be achieved.

Thank you very much for your time and your attention to these important issues.

## New Firm Formation Rate, New England States and New York



Data source: US Census Bureau's Business Dynamics Statistics Database  
 Analysis by the Office of Legislative Research