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Statement of Connecticut Innovations, Incorporated on Raised S.B. 1421 An Act Concerning Technology-Based Development

Connecticut Innovations is pleased to support the intent of Raised S.B. 1421 An Act Concerning Technology-Based Development. The Commerce Committee has long supported technology development and the technology economy in Connecticut. Last year, this committee took the lead in promoting the technology sector with new and innovative programs and funding that enabled members of the technology community to advance technology as an important element of Connecticut's overall economic well being.

S.B. 1421, we believe, is intended to continue this commitment that all of you have demonstrated. Section 7 of the bill, in particular, is important in that it provides continued funding for the eminent faculty program at UCONN. This program was started with a two million dollar annual allocation through PA 06-83 An Act Concerning Jobs for the 21st Century to recruit and support faculty interested in commercialization and their research teams to UCONN. It has been demonstrated around the country that eminent faculty programs help jump start commercialization activity. A steady, regular funding stream is necessary though in order to attract the faculty talent. Section 7 of S.B. 1421 provides this funding stream.

Another UCONN program this committee may want to consider funding is the Entrepreneurial Center. Created last year by P.A. 06-83, the Center represents a collaboration between two UCONN schools – the School of Business and School of Law. This joint effort will provide degree programs in entrepreneurship to develop talent as well as a new business accelerator program for innovative companies and an intellectual property law clinic to support new business development. This center will be co-located at CCAT. The importance of this Center in supporting and nurturing the entrepreneurial climate in Connecticut cannot be overstated. CI believes continued funding of it should be a priority of this legislature.

With respect to some of the other initiatives included in the bill, Connecticut Innovations recommends against them for a variety of reasons but mostly because much of what the bill calls for is already being done or is included in other legislative initiatives that this committee is considering.

Section 1 amends the early-stage venture program created, but not funded, by the legislature last year. The program was a key component of P.A. 06-83 and was structured to promote additional investing at the earliest stages of the investment continuum. This amendment would require that at least 5% of the funding allocated for this early-stage venture program go to companies affiliated with a Connecticut public research university. CI does not believe the legislature should favor a specific sub-category of companies for purposes of requiring that CI make investments. Companies must compete on their own

Connecticut Innovations administers:

Eli Whitney Fund Connecticut Clean Energy Fund BioScience Facilities Fund Connecticut BioSeed Fund Yankee Ingenuity

investment potential and should not be given priority status just because they have certain affiliations.

Section 2 makes amendments to another program that was created and funded by P.A. 06-83. Last session, the legislature provided CI with \$250,000, through an appropriation to DECD, to provide matching grants to companies that had received Phase 2 SBIR or STTR federal grants. CI is currently working with DECD to secure the transfer of this funding to CI and we expect to have a memorandum of agreement signed within a week. At that point, CI intends to contract with the CCAT SBIR Office to administer this program on its behalf. CI does not have staff to manage this program so it makes sense that the staff at CCAT, who have much experience with the SBIR program, be allowed to manage it on our behalf. I would like to recommend that the Commerce Committee consider moving this grant program from CI to CCAT. If statutory responsibility were moved, the program funding would go from DECD directly to CCAT which is more efficient than having CI act as the intermediary.

Section 3 creates an innovation pipeline program intended to support the development of the very earliest stage concepts and ideas. CI is recommending that this section be deleted from the bill, not because it is a bad idea but rather because it duplicates a program CI recently began. When P.A. 06-83 passed last year, unfortunately funding for the CI programs in the Act did not pass. Despite this lack of funding the CI board of directors voted last July to begin implementing some of the ideas the Act created. Specifically, the board charged the staff with creating a pre-seed support services program and a seed investment program. The board voted to reallocate CI's existing cash resources in order to allocate \$3 million to these two initiatives. The board acknowledges that \$3 million is not sufficient to support these initiatives long term. However, the board wanted the legislature to know that it heard its message about supporting earlier stage ventures so they moved ahead on these two initiatives fully expecting the legislature to provide additional funding during the 2007 session. CI's recapitalization request includes additional funding for these initiatives.

The pre-seed support services program structure was actually approved by the board at its January 29th meeting. The program looks a lot like the structure laid out in section 3 of this bill and it is for that reason that we do not believe section 3 is needed. The program's primary purpose is to provide all of the support services a very early-stage venture may need. Early on most ventures need more than money; they need "hand holding", direction and guidance. They may need some funding to help pay for a business plan or a patent application, so money will also be available. Our program was really designed to be collaborative in nature. We expect to work very closely with our technology partners, i.e. UCONN, CVG, CTC and CURE, to provide a network of support services for technology start-ups. By working with our partners and sharing ideas with them, CI can make adjustments and implement program changes that are immediately responsive to the needs of the marketplace. That's the advantage our program has over one that is created in statute. We can be flexible and responsive without having to wait to come back to the legislature for changes to the program.

Section 4 amends the statute that created the Connecticut Clean Energy Fund by requiring it to earmark 25% of its annual expenditures for fuel cell initiatives identified as part of a fuel cell economic development plan. As administrator of the Clean Energy Fund, CI opposes

this section of the bill and requests that it be deleted. CI and the Fund fully understand the important role fuel cells play in Connecticut. The Fund has been a key supporter of the industry since its inception. To date, 57% of all program expenditures made by the Fund have been made to support the fuel cell industry. Our staff participates actively in the fuel cell coalition and the cluster initiative, we participated in the development of the economic development plan referenced in this bill and we were the founders of the Global Fuel Cell Center at UCONN. So, our objection to section 4 is not a reflection on fuel cells, it's more of a philosophical objection. When the Clean Energy Fund was created, the legislature created an advisory committee to advise CI on funding and program decisions related to the fund. The advisory committee consists of a diverse group of industry experts who have their fingers on the pulse of the clean energy industry. They are the ones from who CI should look for advice about funding because they can make decisions that are responsive to the ups and downs and varying needs of the clean energy marketplace.

Sections 8 through 11 of the bill all have to do with funding. Section 8 can be deleted if the committee agrees that the innovation pipeline program created in section 3 is unnecessary. Section 9 is duplicative of CI's recapitalization request which includes funding for the early-stage venture program created by P.A. 06-83. Section 10 provides funds for the SBIR matching grant program that CI has requested you move to CCAT. Section 11 is duplicative of CI's recapitalization request that includes \$4 million for the Yankee Ingenuity Technology Competition.

