

**Testimony of
Matthew Nemerson, President of the Connecticut Technology Council
Speaking on February 17, 2009 to the Commerce Committee – Raised Bill No. 883**

Distinguished Chairmen and Members of the Committee, 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 fourth year we have come to support the concepts encapsulated by SB 883, an act establishing credits for angel investors. We know the nearly impossible job you all have this year, and in the years ahead with our budget deficits. Still, let me share some interesting data. According to analysis put together by the Edwards Lowe Foundation, which studies growth of smaller companies, in Connecticut over the past three years that data is available, of the 42,000 jobs created in the state, nearly 29,000 were in companies of under 100 employees and 23,000 in companies under 10.

Within this group of firms, the data suggested that many of the jobs are actually created in a very small set off these smaller companies. The conclusion is that it is in our interests if we wish to begin to build new jobs and tax revenues of the state, that we should target the few firms which have a serious potential to grow from 1 or 2 to 10 and then to 100 employees. A company which goes from 2 to 100 stands a good chance of growing to 1,000. These are the extraordinary entrepreneurs worth attracting and helping.

Our organization receives inquires from a new firm almost every day. Of these four or five firms a week, 20 a month, perhaps less than five are even ready to meet with financiers, and in the course of a year only three or four in total will receive funding from Angel investors and another 10 or so will find money with Connecticut Innovations. Of these four firms, perhaps 1 in 10 will become the major success that actually adds significant new jobs...so that's not great odds, even if it's the best way to build new value.

The problem is that in San Francisco or Boston 10 or 20 times as many firms are getting started and receiving funding.

The idea of this bill is perfect for these very tough times: the state should not spend a penny if there is not actually investment by real people who, after painstaking homework, decide to invest their own real money in a new project. Angel investors don't just spend money and ask for a tax credit, they invest their own and other people then spend it, usually in Connecticut on people and places to innovate.

There are about 30 states that offer tax credits in some form to early investors. A study of these programs show four key ingredients in the successful ones; the credits should be fair to the state, they should be large enough to make a difference in attracting the best entrepreneurs and risk investors (especially where the borders are so close), the actual investments should be solely at the discretion of the private sector, with little or no state involvement.

Finally, there is no need to focus on any one industry or type of company. Leave the choices to the private investors – which the credit does very well – and it is probably most important to make it simple for the very best entrepreneurs in the country or the world to feel comfortable with the stability of the program and the quality of the additional help that the companies they invest in will receive.

The \$10 million cap is a great way to get started and will probably quickly result in a total of about \$340 million being invested in new firms just in year one.

The 100 or so Angels in the state represent some of our greatest talents and knowledge of business practices for start-ups. If we can increase their willingness to invest ten fold, the impact of bringing in another 20 or more new start-ups could have a dramatic impact on our job creation in the state.

I urge you to support **SB 883** and to send it on to Finance with a joint favorable.