

## HIGH TECH NEWS

VOLUME 27

Number 9

December 2004

## In This Issue:

- **Fiscal/Economic Growth Initiatives Take Hold**
- **Busy Year on Education Front**
- **Health Care Reforms Begin to Take Root**
- **Infrastructure Projects Reshape State Chairman's Dinner**
- **MassDTI Efforts Move Forward**

## Council Sees Wins in Public Policy Priorities for 2004 New Year Promises New Challenges for Council, MassDTI

Another historic year in American political history was yet another active and successful year for the Massachusetts High Technology Council. This edition of High Tech News reviews how the Council fared in support of its public policy goals on Beacon Hill and in Washington, DC.

### Public Policy Priorities – Fiscal/Economic Growth

For the second straight year, despite a multi-billion budget deficit, the state was able to balance the state budget without any new tax increases. In fact, Massachusetts individual taxpayers will be given a slight tax break this year due to an increase in the personal exemption triggered by higher than expected revenue collections. Individual taxpayers will receive a \$30 refund, while families will experience a \$60 windfall. **Governor Mitt Romney** and the dwindling Republican legislative delegation continued to call for an income tax reduction back to five percent (as voted by the electorate in 2000), but it failed to become a decisive election year issue.

On the downside, the state did nothing in 2004 to improve the least competitive **Unemployment Insurance** system in the nation. While late 2003 saw a last minute, albeit mostly unsuccessful, push by Governor Romney to tame the costly UI system, that momentum did not continue in 2004 despite skyrocketing increases in UI rates for Massachusetts employers.

The Council-led **Science & Technology Initiative** saw another successful year in 2004. Launched in 2002 by **Mass Insight** and the Council, the Science & Technology Initiative was created to develop a technology-based economic development plan for the state by focusing in on our strengths in R&D and higher education.

The Science & Technology Initiative's mission is to create a state policy to facilitate and support major science and technology research initiatives that improve Massachusetts's competitive position and enhance its economic strength. With the release of the SciTech Road Map study (conducted by **Battelle**) in the spring which gave us the framework of a plan by analyzing our core competencies and suggesting ways to improve the climate for R&D collaboration, we are now in the process of further developing the state strategy to create real, specific opportunities now and in the future. These core competencies translate into nine Strategic Alliance Opportunities, as well as five networking collaborations that will allow Massachusetts universities and companies to compete for national R&D leadership and new jobs through cross-sector and cross-institutional alliances. The SciTech Initiative currently is working to encourage collaboration around these opportunities through a series of forums and the work of industry-academic based working groups.

In October, new Council member **MITRE Corp.** hosted a forum on defense command and control technologies and how they can be transferred to homeland security applications. **Council President Christopher Anderson**, in his role as president of the affiliated **Massachusetts Defense Technology Initiative (MassDTI)**, outlined the state strategy for preserving the missions of Hanscom Air Force Base and the Natick Army Soldiers Center through the 2005 Base Closing

**Save the Date:**

The 2<sup>nd</sup> Annual Chairman's Dinner  
 Tuesday, November 8, 2005  
 Open to members and entire technology community



and Realignment (BRAC) process (read more about MassDTI on page 4). The gathering at MITRE followed the first R&D breakfast in the series, which was held in September on Ocean Exploration, and included **Bill Walsh, CEO of Sippican**, as an expert panelist.

Another breakfast forum was held December 8 at **Wyeth Research** in Cambridge and focused on the drug development pipeline and what the state needs to do to support R&D and industry needs. In January, there will be a forum that focuses on nanoscale device fabrication, and then after that some of the other opportunities will be visited, such as renewable energy technology.

One of the big successes of the SciTech Initiative was the final passage of the economic stimulus bill that showed for the first time a commitment from the state to invest in the state's innovation economy. In early 2004, the Council worked with the Legislature to override some of the Governor's vetoes of this legislation that were harmful to the state's tech economy.

Because of the Economic Stimulus Bill, Massachusetts now has resources to invest in important R&D initiatives and help technology companies invest in their businesses.

**Federal Research Matching Grant Fund** – This new program is run by the **Mass Tech Collaborative (MTC)** and was funded at \$20 million. This state support has played a significant role in the NSF award for the **Nanomanufacturing Center** at **UMASS Lowell**, also supported by **Northeastern University** and the **University of New Hampshire**.

**John Adams Innovative Institute** – The new John Adams Institute has set aside \$15 million for a regional approach to technology investment and has strong ties to UMASS and Romney's **Regional Competitiveness Councils**. This fund is also run by MTC, which in December formed a governing board to advise the institute on how to best invest its resources. Serving on the governing board are Anderson and **Council Director Mitch Tyson, Chairman of Amberwave Systems**.

The other funds are the **K-12 Pipeline Fund**, which is run by the **Board of Higher Education** and was funded at \$2.5 million, and the **Emerging Technology Fund (ETF)** which is administered by **MassDevelopment** and funded at \$25 million. **Council Vice President Cort Boulanger** served on a grant review committee for the Pipeline Fund, which has already awarded much of its funding to support science and technology K-12 education. The ETF is actually an existing, underused program that provides funds for companies to invest in their facilities. They just made their first recent investment in a Watertown biotech company.

The Council's role going forward is to ensure that this money is spent well and can realize some tangible return on the state's investment – including job creation. This is crucial to ensuring that these funds will be re-capitalized by the state in the future. The Council must also work to ensure that the key players all work together under a set of strategic guidelines for how to best invest these funds. With this largess, the state must judiciously avoid a situation that creates a number of fiefdoms or that sprinkles money haphazardly around the state without any cohesive strategy.

This last year also marked change for the Governor's economic team, as **Economic Development Chief Bob Pozen** was named **Chairman of MFS Investments**. Pozen was replaced by **Ranch Kimball**, who joined Council directors on May 18 for a focuses policy discussion concerning several important issues. Kimball said that he was devoting a great deal of his time in the early-going of his tenure to meeting with business leaders throughout the state. Kimball heard from the Council directors about the priorities of state technology CEOs, including the preservation of employee stock option plans, creating a stable and competitive tax climate, reforming the state's health care system, and maintaining the technology missions of Hanscom and Natick.

Romney vetoed a Council-opposed budget amendment that was labeled on Beacon Hill as an "anti-outsourcing" initiative, which would have prohibited the Commonwealth from doing business with companies who are perceived as shipping jobs overseas at the expense of local employees. This was a misguided and overly-simplified reaction to an international trade and competitiveness issue. It will cost taxpayers more and make Massachusetts a less business-friendly environment.

## **Public Policy Priorities - Education**

---

It was generally a positive year for supporters of educational accountability in Massachusetts. Governor Romney vetoed a budget amendment that would have placed a moratorium on new charter schools, including preventing the closure of three schools that opened this fall. Charter schools, which were born as part of the 1993 Education Reform Act, create competition in the state's public school system and are making a significant positive impact in helping students in some of the state's poorest districts. **Senator Robert Antonioni**, the Senate Chair on Education, has filed a bill to remove the legislatively-imposed cap on new charter schools in Massachusetts. Despite the progress on charter schools, they face stiff opposition from the teachers unions and many state legislators.

The Legislature also approved a Council-supported bill to create the foundation for a statewide early educational system. With Massachusetts's population growth flat, it is imperative to maximize the efforts to prepare the homegrown pool of students to become the workforce of the future. **Council Vice President Cort Boulanger** served as a member of the Early Education for All Advisory Board, which was chaired by **Mara A. Aspinall, President of Genzyme Pharmaceuticals.**

After years of significant cuts to its budget, the University of Massachusetts system received a modest increase in state investment. The budget conference committee increased the state commitment to the UMASS system by boosting funding from \$364 million in 2004 to nearly \$400 million for the new fiscal year. This commitment will balance other efficiency reforms and have a renewed focus on science and technology under the leadership of **President Jack Wilson.**

## **Public Policy Priorities - Health Care**

---

While both employers and government experienced significant health care cost increases in 2004, there were traces of progress that could lead to some significant positive reforms to the ailing system in 2005.

Through the state budget the Legislature and Governor supported creation of a **Commission on Medical Malpractice Reform.** While a more proactive measure to reform the state's uncompetitive medical malpractice system would have been preferred, the establishment of this commission provides an opportunity to quantify the benefits of several initiatives (including malpractice liability limits). In November, Romney outlined the principles of his health care reform plan, which focused a great deal on bringing the malpractice system in control, before its high costs inflict any more damage on health care quality in Massachusetts and our local economy.

Romney's plan also calls for creating means to make insurance more accessible to the state's estimated 460,000 uninsured without relying on new taxes or an employer mandate. The plan also calls for further reforms to the state's free care pool which enables many state residents (including many with annual incomes over \$50,000) to decline health coverage and rely on the care pool as a safety net. The free care pool is funded in large part by employers through a surcharge on their insurance premiums.

**MHTC Directors - Please save the following mornings (8-10 a.m.) for 2005 Board Meetings:**

Wednesday, January 19

Wednesday, May 18

Thursday, September 15

Thursday, December 8

An attempt by some legislators to impose price controls on the state's biopharmaceutical sector was tamped down by the work of the Council and others. By creating a bulk purchasing program that includes Medicaid (which already receives the lowest drug prices available, per federal law) and calling for the importation of price controlled drugs from Canada, Massachusetts would have undermined its own life sciences cluster that should experience significant growth in upcoming years. Perhaps more important, price controls would have dampened the flow of new drug discoveries.

## **Public Policy Priorities - Infrastructure**

---

Construction began in 2004 on the new delay-reduction runway at **Logan Airport**, a longtime priority of the Council that became reality after a marathon of legal and regulatory contests that culminated in 2003. The new runway is slated for opening in 2005.

While the Big Dig project is still mired in cost overruns and controversy, the \$385 million Route 3 North project has been a quiet, qualified success. Despite slight delays to the project timetable, this creative design-build initiative will be completed on a fixed cost to the contractor, meaning they cannot return to the state for more funding. The Council will continue to push for more of the state's infrastructure projects to employ a design-build model – also implemented in the successful reconstruction of Logan Airport's Terminal A building.

A longstanding transportation conundrum for employers and commuters in the Merrimack Valley made some guarded progress in 2004. The efforts to bring a new Rt. 93 Interchange to Andover at Ballardvale Street (termed "The Junction") would help dozens of major employers – including Gillette and Wyeth Biopharma – mitigate their transportation issues and deliver thousands of new jobs to the area. While **Congressman Marty Meehan** has promised \$2 million in federal funding to the project, and the Merrimack Valley's legislative delegation and town leaders are behind it, the Romney Administration must still make it a transportation infrastructure priority.

## **MassDTI Efforts Move Forward**

---

**Senators Edward Kennedy and Judd Gregg (R-NH), Governor Romney, and Congressmen Markey, Meehan and Tierney** on Dec. 15 visited the Pentagon to meet with **DoD Undersecretary Michael Wynne**. The delegation made the case for the military value of the bases and outlined the state's plans for investing in **Hanscom AFB** and **Natick SSC**.

The next day, on December 16, **Kennedy, Romney and Markey** announced that Massachusetts has committed to providing \$18 million to enhance the infrastructure and **Natick SSC** and to make even stronger ties to area tech firms, teaching hospitals and universities. The leaders made this MassDTI developed proposal in a meeting at Natick with **General Benjamin Griffin**, commander of the **US Army Materiel Command**. Gen. Griffin told reporters gathered at the event that he would take the state's proposal back to the AMC for review. Kennedy, Romney and other MassDTI leaders have held seven meetings with top military officials over the past three months.

For more on the Council led public-private partnership, visit [www.massdti.com](http://www.massdti.com).

## **HAPPY NEW YEAR FROM THE COUNCIL**