



**MASSACHUSETTS  
HIGH TECHNOLOGY  
COUNCIL**

# ***HIGH TECH NEWS***

*VOLUME 26*

*Number 2*

*February 2003*

**In this issue:**

## **Romney to Speak at Council Annual Meeting Tech CEO Survey Points to Uncertain Year**

### **Romney to Keynote Council Annual Meeting ...**

Keeping with a tradition of all newly elected Massachusetts governors, **Mitt Romney** will serve as the keynote speaker at the **Council's Annual Meeting, to be held from 8:30 – 10:30 a.m. on February 26 at the Burlington Marriott.** The Annual Meeting will also witness the election of the Council's Directors for 2003, and the release of the Council's 2003 public policy priorities, as determined by Council members who participated in our Annual CEO survey. Romney will be joined on the speaking schedule by **Council Chairman George Chamillard, CEO and Chairman of Boston-based Teradyne, Inc.**

### **Council to Work with Romney on Economy ...**

The date of the Council's Annual Meeting coincides with the release of Romney's fiscal year 2004 budget proposal – a crucial early document to setting the agenda for his Administration this year and beyond. While Romney has already begun identifying much-needed budget cuts and reforms, the Council has been working with members of his Administration to help set a positive economic course for the Commonwealth. The key to growth in Massachusetts is for Romney to articulate and implement a comprehensive technology agenda that brings together state government, academia and industry. By focusing on a statewide agenda that brings together all the common concerns of the science and technology community, the new Administration will be better positioned to deal with the specific needs of sectors that comprise the state's diverse technology economy.

For more information or to sign up for the Annual Meeting, contact Jane Stoy at (781) 890-6482. Cost per person is \$65.

### **CEO Survey Results Show Concern ...**

The notion of a rocky and competitive immediate future for the Massachusetts technology economy was underscored by the results of the Council's **2003 CEO Business Climate Survey.** The nation's economic slump has left the state's technology CEOs uncertain about the future, although a strong majority of Council members still view Massachusetts as a favorable place to operate a technology business. The survey, conducted each year since 1987, showed that 64 percent of high tech CEOs rated Massachusetts as a "good" or "outstanding" place to run a business. This is a sharp decline from 2002, when 83 percent of those polled viewed Massachusetts in that light. The rating now stands at its lowest point since 1993.

## **Have We Hit Bottom???**

In a sign that the tech economy may be bottoming out, Council members were split on the direction of the economy. The percentage of CEOs who thought the state's economy was improving doubled from eight percent last year to 15 percent in 2003. The number who felt it was "worsening" also increased modestly, up four percentage points to 26 percent. On the bright side, in 1992 Council CEOs also dramatically increased the "improving" rating from a low point the previous year – just as the state and the nation entered the longest economic expansion in history.

## **2002 Tax Hike Hurt Competitiveness ...**

Members were also asked to suggest which factors contributed to the state's current technology climate. Many of the members cited the more than \$1 billion tax hike package enacted last summer as the biggest blow to the business climate in Massachusetts, especially for its impact on employees. Members were particularly disturbed that the tax package included an increase in the state's capital gains tax structure, which until recently was viewed as a positive competitive factor for the Massachusetts economy.

In the survey, members were optimistic that the election of Romney would lead to a more favorable climate for businesses. Romney, a former venture capitalist, campaigned on a pro-growth, anti-tax hike platform. The Council has already begun work with Romney officials on many of their economic development initiatives, including higher education initiatives and in the formation of regional economic development councils.

## **State Makes Changes to Corporate Tax Code ...**

However, there has been some concern in the business community of Romney's proposal to address so-called corporate tax loopholes. The proposal, part of Romney's plan to close a deficit for the current fiscal year, would generate upwards of \$150 million this year. The bill disallows the deduction of all royalties, imposes the net income tax on QSUB corporations with total receipts of \$6 million or more, disallows the deductions for interest paid to a "related member" of the majority stockholding entity, authorizes the Department of Revenue to adjust transactions between corporate taxpayers and their parents and or subsidiaries, among other changes. It also makes changes to the taxation of Real Estate Investment Trusts (REIT) that are retroactive to 1999. Overall, the proposals inflate the power of the state tax collecting bureaucracy and makes Massachusetts less attractive to corporate investment. The bill also calls for a public hearing on these proposed tax changes - 30 days after the enactment of the bill. The Council has been working with the Legislature and Administration to prevent the implementation of these changes.

## **Council Blasts Raid on Renewable Energy \$\$\$ ...**

The Council also strongly opposed two efforts by the state to raid "trust funds" to balance the current year's budget. The Senate passed a provision to draw \$35 million from the Renewable Energy Trust Fund, which is funded by electricity ratepayers and designed to create jobs in the state's burgeoning energy technology industry. As Council President Christopher Anderson told the Boston Globe: "The Senate's proposal to raid the Renewable Energy Trust Fund to plug holes in the state budget is fiscally irresponsible and is an affront to millions of electricity ratepayers in the Commonwealth. This backdoor procedure, done without public hearing, has no economic growth or energy development purpose, and only puts off meaningful structural solutions to excessive state spending. If this diversion prevails, families and employers who have paid into the trust fund will have one less reason to trust state government."

**And Workforce  
Training Fund ...**

The Council also decried a state proposal to divert up to \$19 million from the Workforce Training Fund, which is paid for by the state's employers as a surcharge on the Unemployment Insurance bill. This \$19 million, in addition to \$6.5 million that was gobbled up by the Legislature last year, equals nearly 1/3 of the total amount (\$77.3 million) collected from employers since the program began in 1998. The Council strongly opposes these shortsighted and cynical diversions and will continue to fight to make these programs whole.

**Council Fights  
Against Stock  
Option Expensing ...**

The Council has continued on its strong push to preserve the viability of broad-based employee stock option plans. As part of the International Employee Stock Options Coalition, Council President Chris Anderson signed on to a letter to the Financial Accounting Standards Board (FASB) in opposition to the mandated expensing of employee stock options. Employee stock options are nearly impossible to expense accurately, and requiring their expensing would spell the end of many successful plans. Stock option plans, which create employee ownership of companies, have been crucial to the growth of technology businesses across the nation.

**Thanks to  
Congressman  
Capuano ...**

The Council would like to thank Massachusetts Congressman Michael Capuano for, at the Council's request, sending a letter to FASB in support of policies that continue broad-based employee stock option plans. Congressman Capuano, like many of his California colleagues on Capitol Hill, recognizes the importance of stock option plans to a technology-laden state. We encourage you to thank Congressman Capuano by contacting his office at (202) 255-5111.

**Council Expands  
Successful  
Energy Program ...**

On the energy front, the Council this month announced an agreement with Constellation New Energy and Mass Energy Alliance to install Intech 21 wireless energy monitoring devices in at least 50 high tech facilities throughout Massachusetts in an effort to create a wireless information network for the Council's 100-plus members. By installing this technology, Council members including Varian, Nortel, and Boston Scientific will have access to valuable energy information to take advantage of the next phase of cost savings in the competitive electricity marketplace. If you have interest in learning more about the Council's energy programs, visit our website [www.mhtc.org](http://www.mhtc.org) or call (781) 890-6482.