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04 Budget Contains Reforms, No New Taxes Hanscom AFB is Crucial To Technology Economy

Some Reforms, No New Taxes

In a sign that the House of Representatives and Senate may be working more cooperatively than in recent years, the fiscal year 2004 budget plan whisked through the Legislature and was signed into law by **Governor Mitt Romney** on June 30, the last day of the fiscal year. This marks the first time in seven years that the budget was completed before the beginning of the next fiscal year. The Council worked closely with the Legislature and Governor Mitt Romney to ensure that this budget maintained a stable and predictable cost structure for Massachusetts employers and their employees.

The on-time delivery was not the only newsworthy quality of the \$22.1 billion spending plan. Unlike last year's budget, which was partially balanced through a \$1.3 billion tax increase, the freshly minted budget contains no new or increased taxes. Romney also vetoed more than \$200 million in overspending, which will help reduce any potential shortfalls in future fiscal years.

Council Crucial to ITC Extension

Following a flurry of letters from Council members, the House, Senate and Romney agreed to a five-year extension of the **Investment Tax Credit**, which was set to expire at the end of 2003. The Legislature also picked up on a portion of Governor Mitt Romney's reform agenda, streamlining the state's human services system, bolstering the state's economic development capabilities, reducing inefficiencies in public bidding laws and removing nonsensical financial policies affecting the state higher education system.

Price Controls, Excessive Corporate Disclosure Make Ugly Return

Not all budget news was positive, however. The Senate reheated ballot question language from the early 1990s that would require certain companies to disclose confidential tax information. This provision was dropped from the Conference Committee budget report. And both branches called for a form of prescription drug price controls that will damage the state's growing biotechnology and pharmaceutical industries. The Council worked closely with the Legislature against these ill-conceived proposals, and urged Governor Romney to veto them. (Please visit mhtc.org to read

Council President Chris Anderson's opinion editorial on the dangers of price controls that ran in the June 20 edition of the Boston Business Journal.)

Unfortunately, rather than veto this anti-biotech initiative, Romney chose to amend the language to lend more flexibility to the creation of the bulk purchasing/price control program. At best, Romney's move sends a bad signal to Massachusetts's life science employers and other innovative companies that may consider setting up shop in the Bay State. Romney has devoted a majority of his economic development efforts toward recruiting out-of-state life science employers and encouraging local expansion among Massachusetts's companies. By ignoring industry arguments to veto this section, Romney has undercut his own biotech-focused economic development plan. Going forward, how the Administration constructs its bulk purchasing plan shall determine the long-term effect of this measure on the state's world-renowned life science supercluster.

Workforce Training Fund Viewed as Cash Cow

The new state budget also siphoned an additional \$4 million from the **Workforce Training Fund (WTF)**, bringing the total to \$22 million for funds taken from the WTF to fill holes in the state budget. The WTF provides grants to employers for worker training programs and is funded entirely by employers through a surcharge on the Unemployment Insurance bill. The Council has argued that if the state takes the funds for an entirely different purpose than the mission of the Workforce Training Fund, then the surcharge on employers should be eliminated.

Anderson Testifies on Romney Reforms

Continuing his push to reform state government, Governor Romney's Article 87 proposal – an ambitious plan to transform the state's Executive Branch – kept Council President Chris Anderson busy on June 3, when portions of the reform package was the subject of hearings before legislative committees. The Joint Committee on State Administration poured through Romney's 500-plus page proposal and called in experts on the different subject areas potentially impacted by the bill to provide their perspectives on the plan. Romney chose to file his reform plan under Article 87, which forces the Legislature to act on the entire bill, without offering amendments, within 60 days or it automatically becomes law.

During the morning session of the hearing, Anderson joined **Romney's Economic Development Chief Robert Pozen and Business and Technology Officer Barbara Berke** in support of Romney's reforms to boost the state's economic development capabilities. The Council has argued since last fall that the state needs a Cabinet-level Secretary focusing on technology issues – a role under which Berke would serve under the Romney plan. While the overall reform package was rejected by the Legislature, the Senate included many of Romney's economic development reforms in its budget plan.

Romney also filed companion legislation that would dramatically restructure the **University of Massachusetts** system, and eliminate the President's office. At that portion of the hearing in the afternoon, Anderson reiterated the Council's view that a five-campus system overseen by a president's office as recommended in 1989 by the **Saxon Commission** is still valid. The Legislature rejected the UMASS restructuring proposal.

Council Meets with Romney on Future of Hanscom AFB

On June 6, more than a dozen Council member CEOs joined Governor Romney in his State House corner office for a strategy session on how the state and the technology community can join together in support of **Hanscom Air Force Base Electronic Systems Center (ESC)** in Bedford. The ESC was the primary command and control center of the air operations in Operation Enduring Freedom, helping clear the way for allied ground troops to liberate Iraq. Currently, more than 26,000 military and civilian personnel work in connection with Hanscom Air Force Base and many technology employers have significant contracts with the Air Force for the work they do with the ESC.

BRAC 2005: Much at Stake

With a federal military base closing process concluding in 2005, it is crucial that Hanscom be recognized for its contribution to the local economy. But more important, the Commonwealth needs to make its case that Massachusetts, with its vast human, academic and technology resources is the best place to consolidate its electronics systems capabilities to continue the War on Terrorism. In fact, we believe that moving the ESC to another location that lacks the technical and research strength of Massachusetts will harm the crucial mission of the US military.

Council to Help Lead Hanscom AFB Efforts

Gov. Romney has made this a priority and the Council will play a leadership role in the campaign to secure the future of Hanscom Air Force base. The Council will continue to work with the Governor, the Legislature, our Congressional Delegation in Washington DC, and **MassDevelopment** to craft and implement a strategy for preserving and expanding the military's technology presence at Hanscom. We will keep you updated on how the Council is working on this Hanscom issue, which is perhaps the most important economic development challenge of the next three years.

Analog Devices Roundtable with Chairman Rogers

The Council also continued its efforts to connect members with prominent state legislators. Following up on the recent roundtable discussion at **Wyeth Biopharma** in Andover, the Council brought together regional members to **Analog Devices** in Norwood for a meeting with **House Ways and Means Chairman John Rogers (D-Norwood)** on May 30 for a discussion of issues important to the technology community. Rogers, the House's chief budget writer, gave members a first-hand account of the state's fiscal situation and how the Legislature has worked to close the \$3 billion budget gap.

Stata: State Not a Venture Capitalist

Rogers expressed the importance of Council members weighing in on crucial economic development issues. He said that the Council made a big difference in the debate over

the future of the University of Massachusetts system and the extension of the Investment Tax Credit. The meeting also allowed Council members to weigh in on Beacon Hill proposals that impact technology employers. The morning's host, **Analog Chairman Ray Stata**, expressed concern that the proposed revamping and funding of the Emerging Technology Fund (ETF) could become too focused on creating a public venture capital vehicle. The Council has maintained that the ETF is crucial to institutionalizing state financial support for NSF and NIH grant applications that are born from collaborations between Massachusetts public and private universities and technology employers.

ETF to Support University/Industry Collaboration

While Massachusetts has long competed for these grants on the basis of academic, technological and industry strength, we have been losing out to other states that provide matching public funds for proposals from their states. As a result, Massachusetts has missed out on research and development opportunities that would have led to new technology jobs and investment. By capitalizing the ETF and focusing it primarily supporting federal grant applications and investments in University-based public private partnerships, Massachusetts will be in a position to compete for highly competitive federal grants and build new centers of technology excellence in regions throughout the Commonwealth.

SciTech Efforts Gain Momentum

The efforts to place technology at the center of the state's economic agenda were bolstered when Romney's Business & Technology Director Barbara Berke became a co-chair of the state's **Science & Technology Caucus**, which until now had been strictly a legislative endeavor. Berke joins **Senator David Magnani (D-Framingham)** and **Representative Cory Atkins (D-Concord)** as chairs of the Council and brings together all three major branches of government on Beacon Hill. This bipartisan spirit behind the creation of a technology-based economic development plan for Massachusetts began at the April 7 signing of the **Science & Technology Resolve**, which brought together Governor Romney, **Speaker Thomas Finneran** and **Senate President Robert Travaglini**.

Speaker Finneran will continue his focus on growing the state's technology economy when he meets with Council members at **Brooks Automation's** new state-of-the-art semiconductor fabrication facility in Chelmsford on July 10. If you are interested in attending this event, hosted by **Brooks CEO Bob Therrien**, please contact Jane Stoy at jane@mhtc.org.