

MASSACHUSETTS  
**HIGHTECHNOLOGYCOUNCIL**

*Dedicated to Growth... Committed to Action*

# The High Tech Agenda

## Cost Competitiveness - Talent Development

May 29, 2013

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The **High Tech Agenda** keeps the High Tech Council's members and partners up to date on its pro-growth advocacy concerning state and federal public policies and programs in support of its mission.

**The Goal of the Massachusetts High Technology Council is to help make Massachusetts the world's most attractive place in which to live and work, and in which to create, operate, and grow high technology businesses.**

**We believe** the health and vitality of the Massachusetts economy is directly related to the state's commitment to meet the high quality of life it seeks to provide for its citizens. Competitive, stable and predictable tax rates, appropriate regulations and economic incentives, and other operating costs that are competitive with other states, will lead to greater capital formation and employment growth throughout the state's technology economy.

[Mission Statement](#)

### Cost Competitiveness/Fiscal Policy Team Update

A number of promising action items on key initiatives emerged from the High Tech Council's Board of Directors meeting on May 14. The Board was pleased to confirm that both **Jim Green (CEO, Analogic Corp.)** and **Mike Bonney (CEO, Cubist Pharmaceuticals)** have agreed to co-chair the Council's **Cost Competitiveness/Fiscal Policy Team**. They will guide the work of this team in the context of the ongoing cost competitiveness study that has been refreshed with valuable support from KPMG and Deloitte. Over the next three months this team will review and recommend policy options to bolster Massachusetts' overall competitiveness. Initial policy options under consideration include: modernizing the state's R&D tax credit for the first time since 1992; reforming our second-highest-in-the-nation payroll taxes; and considering the impacts of the expanded sales tax on software and network design services. In addition to ongoing briefings with state legislative leaders, the Council is briefing likely 2014 gubernatorial candidates on these agenda items as well.

## Board of Directors

[Analog Devices, Inc.](#)

[Analogic Corporation](#)

[Boston Scientific Corporation](#)

[Canaccord Genuity](#)

[Carruth Capital LLC](#)

[Choate Hall & Stewart LLP](#)

[Courion Corporation](#)

[CSR](#)

[Dassault Systemes](#)

[Deloitte](#)

[Dunn Rush & Co. LLC](#)

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[Entegris, Inc.](#)

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[The Charles Stark Draper Laboratory, Inc.](#)

[The L.S. Starrett Company](#)

[Worcester Polytechnic Institute](#)

## Related Links

[Council Website](#)

[DTI Website](#)

## Talent Development/Education Policy Team Update

In order to gain a clearer view of the skills gaps that exist between what Massachusetts high tech employers require and what schools produce, Directors at the May 14 meeting agreed to re-launch an annual survey focused on human capital. **Led by co-chairs Chris Zannetos (President and CEO Courion) and Al Bunshaft (Managing Director, Dassault Systèmes)**, this team will determine the scope, data objectives, and development process for this important project. The team will also identify criteria for effective STEM programs run by Massachusetts high tech firms.

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## FY 2014 State Budget Update

Following two days of debate, the Massachusetts Senate approved a **\$34 billion** spending plan for fiscal 2014 by a 36-3 margin. Total spending is unchanged from the amount approved by the House in April and conferees from the upper and lower chambers will reconcile differences between the two bills in June. Although no tax increases were included in the budget, it does rely on the new tax revenue approved in the Transportation Finance legislation passed earlier in the session.

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## State of Transportation Finance Legislation Conference Committee

Following debate on the Commonwealth's FY 2014 budget, House and Senate members of a transportation finance conference committee are expected to finalize the details of a **\$500 million tax increase** that includes a matter of pressing concern to the High Tech Council: the proposal to expand the state sales tax to include custom software and design services. The Council is convinced of the negative impacts this new tax will impose on a wide range of businesses across our state's technology ecosystem.

The **Milken Institute's [State Technology and Science Index](#)** has ranked Massachusetts #1 in this area five times since 2002. At the same time, there are many signs that this edge is being blunted by areas in which we lag behind our competitor states. For example, a [recent survey](#) of the most innovative states by **Fast Company** magazine ranked Massachusetts at a disappointing 42nd place overall. A 2013 Tax Foundation [survey](#) found that we are 49th in terms of payroll tax competitiveness, which places a major brake on hiring.

Although the provision to tax custom software/design services offered by the Senate is more narrowly crafted than the House's version, both create a new cost-competitive disadvantage for Massachusetts where none existed before.

**Of the 15 peer states that the High Tech Council has identified as Massachusetts' most direct competitors for high tech jobs, only one - Texas - taxes custom software/design services.**

The High Tech Council has urged the conferees to adopt the Senate version of the bill while also adding language to limit the discretion of the Department of Revenue to expand application of the new tax to transactions beyond the Legislature's intent.

## Key Takeaways from DTI's May 14 Board Meeting

DTI board members met on May 14 and agreed to support advancement of a \$177 million bond bill to invest in the Commonwealth's military bases. If approved, this funding will bolster 46,500 direct and indirect jobs at the state's six military bases that have a combined economic impact of \$14.2 billion. Board members also agreed to conduct outreach to likely 2014 gubernatorial candidates to enhance their appreciation for the importance of the defense sector and military installations to the Massachusetts economy. In the coming months, DTI will also partner with MassDevelopment to conduct an industry sequestration impact survey.

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## More DTI Update

*Lieutenant Governor Murray leaving office to head Worcester Chamber of Commerce*

**Lieutenant Governor Murray** will leave office on June 2, 2013 to take on a new role as CEO of the Worcester Regional Chamber of Commerce. Murray has chaired the **Massachusetts Military Asset and Security Strategy Task Force** since its inception in February 2012 when he appointed DTI to co-direct with MassDevelopment the Task Force's mission support strategy for Hanscom AFB and US Army Natick Soldier Systems Center (NSSC).

"The Lieutenant Governor's leadership and dedication highlighted the importance of the defense sector to the Commonwealth and the contributions of our region's technology cluster to defense priorities and emerging threats," said DTI Executive Director Charlie Benway. "His strong support for Massachusetts' military installations laid the groundwork for collaboration between DTI and the Commonwealth to support and grow Hanscom and Natick's missions and to connect them with the regions technology resources. We appreciate the Lieutenant Governor's proactive support and wish him the best as he pursues the next phase of his career. DTI looks forward to working with Governor Patrick's office, the members of the Massachusetts Congressional delegation, and other members of the Task Force to carry on the good work initiated under the Lieutenant Governor's chairmanship."

*U.S. Army names new commander for Natick Labs*

**Brigadier General Daniel P. Hughes** was named the new commander of the **U.S. Army Natick Soldier Systems Center**. Massachusetts officials praised the move, suggesting it strengthens the base while community leaders are hopeful the new assignment will strengthen advocacy for the Natick mission and facilitate civilian senior leader Jack Obusek's efforts to leverage regional resources to protect and support soldiers. Click [here](#) to read the Boston Globe's coverage of this development.

*"Space Fence" program leverages area technology cluster*

In a recent front page [story](#), The Boston Globe highlighted a critical Hanscom-based program that takes advantage of the Massachusetts technology cluster to build a first-of-its-kind Space Fence to track orbital junk. The Air Force has a geo-agnostic philosophy. Programs are located where there is the most benefit to national security regardless of where organizational leadership is located. Space Fence is a perfect example; while the program reports to an Air Force space organization in Los Angeles, it is located at Hanscom in order to leverage the deep reserves of technical talent within the Massachusetts technology and innovation cluster. Top radar expertise at Hanscom, within

national research centers such as **MITRE** and **MIT Lincoln Laboratory**, at world class universities, and at high tech companies make this an ideal spot to locate Space Fence.

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## Upcoming Mass High Tech Council CEO Roundtables

### *Suffolk County DA Dan Conley*

On Friday, **June 7** at 9 am, join us in the boardroom of the High Tech Council for a discussion with **Suffolk County District Attorney and Boston mayoral candidate [Dan Conley](#)**. DA Conley will share his vision for Boston's future, and in particular, his ideas about school reform and other system improvements and how they relate to Boston's role in the state's high tech economy. The *Boston Globe* [reported](#) that Conley leads his competitors in fundraising by a wide margin.

### *U.S. Senate Candidate Gabriel Gomez*

The Council is pleased to announce that Boston Scientific Corporation founder and current High Tech Council Chairman **Pete Nicholas** will lead a discussion with **Republican U.S. Senate candidate [Gabriel Gomez](#)** on Wednesday, **June 12** at 8 am.

### *POLITICO White House Correspondent Mike Allen*

On **June 26** at 4 pm, Council members are invited to take part in a roundtable discussion with **POLITICO Chief White House Correspondent [Mike Allen](#)**. Council member Dassault Systèmes has graciously agreed to host this forum at their headquarters at 175 Wyman Street in Waltham.

Referred to by the *New York Times* as "[The man the White House wakes up to](#)," Allen is the author of Washington insiders' must-read morning briefing "[Playbook](#)," that lays out the factors driving the day in Washington.

This roundtable discussion is timely since it falls on the day after the Massachusetts special election for U.S. Senate between Congressman Edward Markey and former Navy SEAL and private equity investor Gabriel Gomez. Allen will analyze the results and share his insights into the impact this election will have on high tech companies headquartered in Massachusetts. Member companies' government and media relations professionals are welcome to attend.

**To sign up for these events, kindly RSVP to Jane Stoy at your earliest convenience: ([jane@mhtc.org](mailto:jane@mhtc.org)).**

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## Immigration Reform Moves Forward

In Washington, the U.S. Senate Judiciary Committee has approved a sweeping overhaul to the nation's immigration system and the proposal could be put to a full Senate vote when the Senate reconvenes in June. The bipartisan legislation has generated much interest among technology employers because of the major focus it places on increasing the pool of available STEM workers. Under the plan, H1B visas for highly skilled immigrants would jump from 65,000 annually to up to 180,000. Fees paid by employers for these visas would also increase, with a portion of the fees dedicated to a new fund to support STEM education across each of the 50 states. A requirement to offer positions to equally qualified U.S. citizens over H1B holders was narrowly tailored to affect only the heaviest users of H1Bs. Permanent resident green cards would be awarded to foreigners with job offers

in hand who have graduated with a STEM degree from a U.S. school. For a good synopsis of how this bill would affect high tech companies, click [here](#).

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### **They Said It...**

"Paul Cellucci is a dedicated public servant who worked tirelessly, every day of his career, to help the people in his communities and to better the Commonwealth. He is an incredible and strong person, and an outstanding and respected leader. Paul has gone above and beyond to raise awareness and funding for the ALS community since he was diagnosed and I am proud that the ALS Registry will bear his name."

*- **Senate President Therese Murray** speaking in favor of a budget amendment she sponsored to name the Amyotrophic Lateral Sclerosis (ALS) Registry at the Department of Public Health in honor of former Massachusetts Governor Paul Cellucci.*

In response to the Senate President's amendment, Governor Cellucci offered the following statement:

"I am honored and humbled by the recent vote in the Massachusetts Senate. The proposal to attach my name to the Commonwealth's ALS Registry is a most gracious gesture. I thank my friends and colleagues for their unyielding support. ALS is a formidable illness, but each and every day the researchers at the University of Massachusetts Medical School - and at similar institutions around the world - are making important advances that bring us closer to therapies for tomorrow's patients. I am so proud to support the brilliant research happening at our state's public medical school through my work with the [UMass/ALS Champion Fund](#). Today, I am also grateful to the members of the legislature, who once again have demonstrated their steadfast commitment to ALS patients, and the vital search for a cure."