



Capitol Place
21 Oak Street
Hartford, CT 06106
p. 860-527-5477
f. 860-525-9979
www.romesmithlutz.com

BioCT

2018 Legislative Session Report

We are happy to provide you with the 2018 End of Session Report. The Connecticut General Assembly adjourned sine die after making adjustments to close the projected \$265 million deficit in fiscal year 2019 in a bipartisan agreement. Additionally, conversations continue as to whether the General Assembly will return for a special session to address sports wagering as a result of the recent Supreme Court case striking down a 26-year federal law that barred all but four states from that practice.

Included below are some of the specific pieces of legislation introduced during the 2018 Legislative Session that we tracked for you.

2018 Regular Session Recap

The 2018 Legislative Session opened on Wednesday, February 7th and adjourned at midnight on Wednesday, May 9th. Governor Malloy proposed a number of spending cuts and revenue increases to close the deficit in FY 19. The Appropriations Committee and Finance, Revenue, and Bonding Committee were tasked with passing a deficit mitigation plan needed to close a \$265 million deficit for the current fiscal year.

In the last hours of the 2018 session, following several months during which little in the way of true budget negotiations between the parties appeared to be taking place, the General Assembly adopted revisions to the 2019 budget adopted in October. The budget revisions, which provide for an operating surplus of \$8.3 million in the General Fund and \$20.6 million across all Appropriated Funds, had strong bi-partisan support, passing the Senate 36-0 and passing the House 142-8.

The legislature addressed a number of issues this session. There were 1132 bills introduced this session, and a total of 213 bills were ultimately passed by the General Assembly and sent to Governor Malloy for his action on each one. On each bill, he has the option of 1) signing into law, 2) vetoing to be sent back to the legislature for potential override action, or 3) allow to become law without his signature.

If you have any questions or would like more information please do not hesitate to contact us.

Priority Bills

The bills identified below have were tracked as high priority. Those that have passed both chambers in concurrence will be assigned a Public Act Number from the Secretary of State's Office. After a number has been assigned, the Public Act is transmitted to the Office of the Governor. The Governor then has the choice of signing the bill into law, allowing it to become law without his signature, or vetoing it.

For those that did not pass both chambers in concurrence, those bills are dead.

Please note you may notice some bills that have passed in concurrence have already been assigned a Public Act number.

Senate Bill 266:

An Act Concerning Incentives to Encourage the Growth of Bioscience Venture Capital in Connecticut.

Rome Smith & Lutz worked with the Chairmen and Ranking Members of the Commerce Committee, to raise this bill and schedule it for a public hearing. A public hearing was scheduled on March 8th before the Commerce Committee.

Dawn Hocevar delivered in person testimony on behalf of BioCT before the committee in support of this bill and to educate the committee about the bioscience sector in Connecticut.

We successfully lobbied this bill out of both the Commerce Committee (17-3) and the Finance Committee (40-7) by wide margins. The bill was subsequently sent to the Senate floor for their consideration.

On May 4th, the bill was taken up by the Senate with limited discussion and was easily passed on the consent calendar by a unanimous 36-0 vote. However, upon review by the House of Representatives, there were concerns within leadership about the fiscal impact of this bill in the original fiscal note, which indicated a \$30,000 cost to the Department of Revenue Services. Rome Smith & Lutz successfully lobbied the agency to secure an addendum to the fiscal note indicating that the agency could utilize the existing framework at a lesser cost. With that fiscal clarification secured, the House took up the bill on the last day of the regular session and passed the bill by a vote of 139-11.

The bill will receive a public act number and will be sent to the Governor for his consideration.

Bill Summary:

This bill creates a tax deduction for the income generated by investments in eligible Connecticut-based bioscience businesses. The deduction is available only to the general partners of a qualified venture capital fund and equals their share of the investment and management income generated by the fund's eligible investments. The revenue services commissioner must adopt regulations for instituting the deduction.

ELIGIBILITY

Funds

The bill's income tax deduction is available only to the general partners of a fund that was established on or after January 1, 2018 and that qualifies as a venture capital fund under federal regulations (see BACKGROUND).

General Partners

A general partner qualifies for the deduction depending on how the fund is organized. He or she qualifies if the fund is a partnership, limited partnership, or a limited liability partnership that is treated as a general partnership for federal taxes.

A general partner also includes a member of a limited liability company that is treated as a partnership for federal taxes, regardless of whether the company is managed by its members or nonmember managers.

Investments

The deduction applies to income generated by investments only in a bioscience business, whose principal place of business is located in Connecticut, that:

- 1. manufactures pharmaceuticals, medicines, medical equipment, medical devices, and analytical laboratory instruments;*
- 2. operates medical or diagnostic testing laboratories; or*
- 3. conducts pure research and development in the life sciences.*

DEDUCTION

The bill's tax deduction applies only to income a general partner receives from eligible investments the venture capital fund made on or after January 1, 2018. The amount a general partner may deduct equals the income he or she receives:

- 1. from the fund's sale, transfer, exchange, or other disposition of equity interests in an eligible Connecticut-based bioscience business and*
- 2. for managing the fund.*

The latter equals the general partner's share of the management income the fund charged for managing its eligible bioscience investments. The general partner must determine that share by determining the percent of funds invested in Connecticut-based bioscience investments (i.e., bioscience investment ratio) and multiplying it by the general partner's total management income.

For example, assume that the total amount of capital the fund raised equals \$500 million, \$20 million of which is invested in eligible Connecticut-based bioscience businesses. Also assume that the fund received \$10 million in management fees, which it evenly distributed among its four general partners (\$2.5 million per partner). The total amount of management income a partner can deduct from his or her Connecticut income taxes equals \$100,000, that is \$20 million divided by \$500 million (4%) times \$2.5 million. The partner must add that amount to his or her share of the income from eligible bioscience investments to determine the total amount of the income tax deduction.

BACKGROUND

Venture Capital Fund

The bill's tax credit is limited to venture capital funds established on or after January 1, 2018 that qualify as venture capital funds under federal regulations (17 C.F.R. 275.203(L)-(1)), as amended from time to time. Among other things, these are funds that:

- 1. represent to their investors and potential investors that they pursue a venture capital strategy,*
- 2. have invested no more than 20% of their committed capital in other investment funds (or, in other words, have invested at least 80% of their committed capital in privately held companies that actually carry on a business),*
- 3. have incurred debt that does not exceed their total committed capital,*
- 4. allow investors to withdraw capital only in extraordinary circumstances or when capital is redistributed back to them, and*
- 5. are not registered under federal law as an investment company or a business development company.*

Senate Bill 446: An Act Concerning a Strategic Plan for the Bioscience Sector in Connecticut

On behalf of BioCT, Rome Smith & Lutz worked with the Chairmen and Ranking Member of the Commerce Committee, and representatives from both the Department of Economic and Community Development and CT Innovations to support a strategic plan for bioscience in Connecticut. We successfully got the bill raised and a public hearing scheduled before the Commerce Committee.

Dawn Hocevar testified in support of the bill at the March 20th hearing on behalf of BioCT, highlighting that the state has done a historically good job in investing in bioscience, but a need remains to stay committed to that progress. Establishing a comprehensive plan needs to be put in place.

The Department of Economic and Community Development testified on the bill citing caution about mandating studies without appropriate staffing levels to complete them.

We successfully lobbied the bill out of the Commerce Committee by a unanimous 20-0 vote and began to work with the Senate on passage.

The bill was sent to the Senate for their consideration. Before the vote, we signed off on modifying the bill with an amendment to assign primary responsibility of the strategic plan to CT Innovations (rather than DECD). On May 4th, the Senate voted unanimously 36-0 to pass the bill to the House with the agreed upon amendment. The House took up the bill and passed it by a unanimous 148-0 vote on the last day of the legislative session.

The bill will be sent to the Governor for his action.

Bill Summary:

This bill requires Connecticut Innovations to 1) develop a short and long term strategic plan to develop and grow the bioscience sector in CT and 2) develop a marketing and promotional strategy to complement the strategic plan. That marketing and promotional strategy is required to include:

- An internet website designed to attract researchers, entrepreneurs, venture capitalists, research institutions, health systems, health data companies, and other bioscience related entities .
- Social media plan
- Metrics for evaluating the success of these efforts
- Estimated cost of and potential funding sources for the implementation of the strategy, including private funding and in-kind donations.

The legislation requires that the plan evaluate the state's current assets, strengths and weaknesses as they relate to the bioscience industry and a report will be due not later than January 1, 2019.

Final Bill Report

Please Note: A full bill list has been attached for your review. This bill list includes all bills that were tracked during the past legislative session. Note that bills passing both the House and the Senate are included first. Bills that were tracked that did NOT receive final passage are colored in gray:

Bill Number	Title & Synopsis	Sponsors	Status	Note
HB 5439 Support	<p>An Act Concerning Information Relating To Bioscience And Crowdfunding On The Department Of Economic And Community Development Web Site.</p> <p>To require the Department of Economic and Community Development web site to include information concerning bioscience and crowdfunding.</p>	Commerce Committee	<p>Committees: CE</p> <p>Status: On Consent Calendar / In Concurrence (5/9)</p>	
SB 266 Support	<p>An Act Concerning Incentives To Encourage The Growth Of Bioscience Venture Capital In Connecticut.</p> <p>To exempt from the personal income tax certain income received by general partners of venture capital firms.</p>	Commerce Committee	<p>Committees: CE</p> <p>Status: In Concurrence (5/9)</p>	<p>Creates a tax deduction for the income generated by investments in eligible CT based bioscience businesses. Available to general partners of a fund that was established on or after 1/1/2018. Successfully worked with proponents of Bioscience, the legislature, and the executive branch to get this bill called in the House. There was a hold on it because of questions on the fiscal impact. We engaged with the Department of Revenue Services to dispute the fiscal note and get the bill called in the House.</p>

Bill Number	Title & Synopsis	Sponsors	Status	Note
SB 446 Support	<p>An Act Concerning A Strategic Plan For The Bioscience Sector In Connecticut.</p> <p>To require Connecticut Innovations, Incorporated and the Department of Economic and Community Development to develop a short and long-term strategic plan for the bioscience sector in Connecticut, along with a marketing and promotional plan to complement the strategic plan.</p>	Commerce Committee	<p>Committees: CE</p> <p>Status: In Concurrence (5/9)</p>	Amended to make CT Innovations the lead on the creation of the plan. We supported and successfully passed this legislation.
HB 5384 Support as Amended	<p>An Act Concerning Prescription Drug Costs.</p> <p>To impose additional disclosure and reporting requirements on pharmacy benefits managers, health carriers, pharmaceutical manufacturers, the Office of Health Strategy and the Insurance Department concerning prescription drug rebates and the cost of prescription drugs.</p>	Insurance and Real Estate Committee	<p>Committees: INS</p> <p>Status: On Consent Calendar / In Concurrence (5/8)</p>	Successfully kept the language balance as to not disproportionately affect our sector.
HB 5241 Monitor	<p>An Act Concerning Pharmacist And Practitioner Compliance Rates And The Electronic Prescription Drug Monitoring Program.</p> <p>To reduce the number of deaths related to opioid drug prescriptions.</p>	General Law Committee	<p>Committees: GL</p> <p>Status: On Consent Calendar / In Concurrence (5/9)</p>	
HB 5290 Monitor	<p>An Act Concerning The Office Of Health Strategy.</p> <p>To make the statutory changes necessary to implement the establishment of the Office of Health Strategy.</p>	Public Health Committee	<p>Committees: PH</p> <p>Status: Immediate Transmittal to the Governor (5/9)</p>	

Bill Number	Title & Synopsis	Sponsors	Status	Note
SB 195 Monitor	<p>An Act Concerning Changes To Pharmacy And Drug Control Statutes.</p> <p>To make changes to various pharmacy and drug control statutes.</p>	General Law Committee	<p>Committees: GL</p> <p>Status: Public Act 18-16 (5/14)</p>	
SB 217 Monitor	<p>An Act Requiring The Health Information Technology Officer To Establish A Working Group To Evaluate Issues Concerning Polypharmacy And Medication Reconciliation.</p> <p>To require the Health Information Technology Officer to establish a working group concerning polypharmacy and medication reconciliation.</p>	Public Health Committee	<p>Committees: PH</p> <p>Status: In Concurrence (5/9)</p>	
SB 260 Monitor	<p>An Act Authorizing Additional Uses Of Funds Available To Ctnext.</p> <p>To allow CTNext to use unexpended bond funds for additional activities when such funds are available in fiscal years subsequent to their deposit.</p>	Commerce Committee	<p>Committees: CE</p> <p>Status: In Concurrence (5/8)</p>	
SB 197 Monitor	<p>An Act Concerning Biological Products.</p> <p>To add biological products to existing law regarding substitution of generic drugs.</p>	General Law Committee	<p>Committees: GL</p> <p>Status: In Concurrence (5/8)</p>	

Bill Number	Title & Synopsis	Sponsors	Status	Note
HB 5280 Support	<p>An Act Concerning A Bioscience And Biotechnology Investment Tax Credit.</p> <p>To establish a tax credit for certain investments in bioscience and biotechnology businesses in the state that qualify for the "incremental" research and experimental expenditures tax credit under section 12-217j of the general statutes.</p>	Commerce Committee	<p>Committees: CE</p> <p>Status: Favorable Change of Reference, Senate to Committee on Finance, Revenue and Bonding (3/27)</p>	DEAD by lack of action in Finance Committee. Successfully passed a separate incentives for bioscience bill in Senate Bill 266 which passed both chambers and will be sent to the Governor.
HB 5589 Monitor	<p>An Act Concerning A Study Of Finance Policies To Improve The Economic Competitiveness Of The State.</p> <p>To require the Commissioners of Economic and Community Development and Revenue Services to study the finance policies of surrounding states.</p>	Finance, Revenue and Bonding Committee	<p>Committees: FIN</p> <p>Status: File Number 384 (4/10)</p>	DEAD
SB 536 Monitor	<p>An Act Concerning Various Initiatives At The University Of Connecticut.</p> <p>To require The University of Connecticut to undertake a variety of initiatives to better realign its objectives and focus with creating and fostering innovation and entrepreneurship in the state and establishing itself as a leading institution of higher education in those areas.</p>	Finance, Revenue and Bonding Committee	<p>Committees: FIN</p> <p>Status: File Number 632 (4/23)</p>	DEAD
SB 539 Support	<p>An Act Concerning A Working Group To Develop A Plan To Foster The Microbiome Sector In The State.</p> <p>To delay the date the microbiome working group is required to submit a report and make a presentation on such report.</p>	Finance, Revenue and Bonding Committee	<p>Committees: FIN</p> <p>Status: File Number 559 (4/17)</p>	DEAD

Bill Number	Title & Synopsis	Sponsors	Status	Note
HB 5273 Monitor	<p>An Act Concerning Economic Development Issues Affecting The State.</p> <p>To require the Commissioner of Economic and Community Development to conduct an overview of issues relating to economic development in the state.</p>	Commerce Committee	<p>Committees: CE</p> <p>Status: Senate Calendar Number 518 (5/5)</p>	DEAD
HB 5275 No Position	<p>An Act Concerning The Bioscience Industry.</p> <p>To require the Commissioner of Economic and Community Development to study issues relating to the state's bioscience industry.</p>	Commerce Committee	<p>Committees: CE</p> <p>Status: File Number 357 (4/10)</p>	DEAD
HB 5296 Monitor	<p>An Act Concerning A Study To Identify Ways For State Government To Partner With Hospitals.</p> <p>To require a study to identify ways for state government to partner with hospitals to enhance access to and affordability of health care and help meet hospitals' workforce and economic needs.</p>	Public Health Committee	<p>Committees: PH</p> <p>Status: File Number 312 (4/9)</p>	DEAD
HB 5385 Monitor	<p>An Act Establishing A Working Group To Study Health Insurance Premium Rate Increases And Develop Recommendations To Mitigate Such Increases.</p> <p>To establish a working group to study health insurance premium rate increases in this state and develop recommendations to mitigate such increases.</p>	Insurance and Real Estate Committee	<p>Committees: INS</p> <p>Status: File Number 318 (4/9)</p>	DEAD

Bill Number	Title & Synopsis	Sponsors	Status	Note
HB 5437 Monitor	<p>An Act Establishing A Job Creation Incentive Tax Credit Program For The Hiring And Retention Of New Full-time Employees.</p> <p>To establish a job creation incentive tax credit program for the hiring and retention of new, full-time employees in order to encourage businesses to grow and maintain jobs.</p>	<p>Commerce Committee</p>	<p>Committees: CE</p> <p>Status: Favorable Change of Reference, Senate to Committee on Finance, Revenue and Bonding (3/27)</p>	<p>DEAD</p>
HB 5448 Monitor	<p>An Act Concerning The Alignment Of Education Curricula And Programs And Workforce Needs.</p> <p>To require the Department of Education, in consultation with the Office of Higher Education and the Labor Department, to study ways in which to align curriculums and educational opportunities to meet the workforce needs of businesses and industries in the state.</p>	<p>Education Committee</p>	<p>Committees: ED</p> <p>Status: File Number 199 (4/4)</p>	<p>DEAD</p>
HB 5463 Monitor	<p>An Act Concerning The Study Of Health Insurance Options For Individuals Ineligible For Medicaid.</p> <p>To establish a Medicaid public option in which persons not otherwise eligible for Medicaid can buy coverage.</p>	<p>Human Services Committee</p>	<p>Committees: HS</p> <p>Status: File Number 675 (5/3)</p>	<p>DEAD</p>

Bill Number	Title & Synopsis	Sponsors	Status	Note
HB 5580 Monitor	<p>An Act Concerning The Recommendations Of The Commission On Fiscal Stability And Economic Growth.</p> <p>To require the Secretary of the Office of Policy and Management to conduct an analysis of the recommendations made by the Commission on Fiscal Stability and Economic Growth.</p>	Appropriations Committee	<p>Committees: APP</p> <p>Status: File Number 509 (4/16)</p>	DEAD
HB 5587 Monitor	<p>An Act Concerning The Commission On Fiscal Stability And Economic Growth.</p> <p>To require the Commission on Fiscal Stability and Economic Growth to refine the recommendations made in its final report issued March 1, 2018.</p>	Finance, Revenue and Bonding Committee	<p>Committees: FIN</p> <p>Status: Motion Failed (JFS) (4/5)</p>	DEAD
SB 262 Monitor	<p>An Act Concerning Certain Reporting Requirements Of The Department Of Economic And Community Development.</p> <p>To require the Department of Economic and Community Development to include in its annual report information on tax incentive programs administered by other state agencies, but not all business assistance programs administered by other agencies, and to eliminate the Sports Advisory Board report and a certain workforce development report.</p>	Commerce Committee	<p>Committees: CE</p> <p>Status: File Number 464 (4/12)</p>	DEAD

Bill Number	Title & Synopsis	Sponsors	Status	Note
SB 267 Monitor	<p>An Act Concerning Connecticut Innovations, Incorporated And Private Equity Investment.</p> <p>To require Connecticut Innovations, Incorporated to study private equity investment in the state.</p>	Commerce Committee	<p>Committees: CE</p> <p>Status: File Number 388 (4/10)</p>	DEAD
SB 369 Monitor	<p>An Act Concerning Job Development And Training Opportunities.</p> <p>To review job development and training programs in the state and the funding for such programs.</p>	Appropriations Committee	<p>Committees: APP</p> <p>Status: File Number 519 (4/16)</p>	DEAD
SB 379 Monitor	<p>An Act Limiting Changes To Health Insurers' Prescription Drug Formularies.</p> <p>To limit when an insurer may change prescription drug formularies during the term of certain group and individual health insurance policies.</p>	Insurance and Real Estate Committee	<p>Committees: INS; APP</p> <p>Status: File Number 575 (4/18)</p>	DEAD
SB 440 Monitor	<p>An Act Concerning Coverage Of Pharmacogenomics Testing Under The Husky Health Programs.</p> <p>To require Medicaid coverage without prior authorization for certain pharmacogenomics tests determined medically necessary by a treating primary care practitioner.</p>	Human Services Committee	<p>Committees: HS</p> <p>Status: HS Public Hearing: Thu 3/15 10:00 AM @ Room 2A (3/9)</p>	DEAD

Bill Number	Title & Synopsis	Sponsors	Status	Note
SB 5 Monitor	<p>An Act Concerning Manufacturing And Technology.</p> <p>To require the Board of Regents for Higher Education to study issues relating to manufacturing and technology in the state.</p>	Higher Education and Employment Advancement Committee	<p>Committees: HED</p> <p>Status: HED Public Hearing: Tue 2/13 11:00 AM @ Room 2C (2/8)</p>	DEAD
SB 51 Monitor	<p>An Act Concerning The Funding And Expansion Of Certain Advanced Manufacturing Certificate Programs.</p> <p>To facilitate education and industry partnerships through data sharing and programming to develop and train workforces in high growth industries in the state.</p>	Higher Education and Employment Advancement Committee	<p>Committees: HED</p> <p>Status: File Number 626 (4/23)</p>	DEAD
SB 533 Monitor	<p>An Act Concerning A Study Of State Revenue Policies.</p> <p>To require the Commissioner of Revenue Services to study the revenue policies of the state.</p>	Finance, Revenue and Bonding Committee	<p>Committees: FIN; APP</p> <p>Status: Motion Failed (JFS) (4/20)</p>	DEAD
SB 537 Monitor	<p>An Act Concerning Economic Development Bonding And A Study Of Economic Development And Workforce Training Needs Of The State.</p> <p>To require the Secretary of the Office of Policy and Management to conduct a study of the economic development and workforce training needs of the state and related bonding.</p>	Finance, Revenue and Bonding Committee	<p>Committees: FIN</p> <p>Status: File Number 558 (4/17)</p>	DEAD

Bill Number	Title & Synopsis	Sponsors	Status	Note
SB 541 Monitor	<p>An Act Promoting Innovation, Entrepreneurship And Intrapreneurship In The State.</p> <p>To establish various initiatives to promote innovation, entrepreneurship and intrapreneurship in the state and to specify that Connecticut Innovations, Incorporated shall constitute the subsidiary corporation of CTNext.</p>	Finance, Revenue and Bonding Committee	Committees: FIN Status: File Number 634 (4/23)	DEAD