

## Senate Plan for Economic Development

### An Act Promoting Economic Development Throughout the Commonwealth

#### Section-by-Section Summary

##### Section 1 – Sunset Review Commission

Based on similar procedures operating in Texas and Florida, this legislation would establish a commission charged with reviewing the operations of all state agencies and authorities in the Commonwealth. The commission would consider the continuing need for agencies and authorities in state government and assign recommended sunset dates for each agency and authority in state government.

##### Sections 2, 3, 5, 15-18, 20, 22, 25, 35-40, 46, 142 – Reorganization of Executive Branch business development offices

These sections eliminate the department of business development, and assign the Massachusetts office of business development (MOBD) a direct reporting line to the Secretary. The agencies within MOBD are the office of small business and entrepreneurship (SBE) and the state office of minority and women-owned business assistance (SOMWBA).

##### Section 4 – Performance Management

This section requires MOBD to establish an office for developing a performance management system for all Executive Branch offices and state authorities that perform economic development work in the Commonwealth. The system must report both “output” measures (e.g., average length of time to return a call) and “outcome” measures (e.g., cumulative jobs retained as a result of the organizations’ efforts). Performance criteria will be used will be used in negotiating contracts with entities engaged to conduct economic development tasks on behalf of the state.

##### Section 6 – Statewide economic development policy

This section requires the Governor, by December 31 of the year after he or she is elected in a quadrennial election, to publish a written economic development policy for the Commonwealth.

##### Section 7 – Massachusetts trade office

This technical change conforms the tourism formula to the new Massachusetts trade office.

##### Sections 8-9 – Massachusetts Cultural Council

These sections move the Cultural Council from within the Treasurer’s office, where it resides but is not subject to his supervision, into the new office of travel and tourism under the Massachusetts Marketing Partnership, but not subject to its supervision. The sections also subject

the Council to the uniform reporting and auditing requirements now applicable to all economic development agencies and authorities.

#### Sections 10-14 – HEFA/MDFA conforming changes

These sections make technical changes to conform to the Massachusetts Health and Educational Facilities Authority's (HEFA's) codification into the General Laws.

#### Sections 19, 21, 23-24, 145 – Regional Economic Development Efforts

These sections require MOBD to contract with private regional economic development organizations to act as the primary contact for businesses seeking assistance from the state and to perform business prospect management services on behalf of the Commonwealth. The contracts would be competitively bid, with preference given to existing regional economic development organizations already providing technical assistance to businesses in their regions and with a history of collaboration with entities involved in economic development within the identified region. Contracts will reward the achievement of performance criteria based on the performance management system described previously. MOBD would develop a contractual reimbursement formula using demographic and economic data so that organizations compete not on price, but on quality of service. Organizations owned by a city or town, regional planning agencies, regional employment boards, tourism councils and political subdivisions of a city or town would not be eligible. MOBD would be required to notify all contracting organizations of business prospect contacts that come to MOBD rather than to a regional organization.

#### Sections 26-31, 34 -- The Massachusetts Marketing Partnership

These sections propose to create a central marketing organization for the Commonwealth, embracing the Commonwealth's efforts in travel and tourism and international trade. Existing executive branch offices responsible for this work would be moved under the oversight of the Partnership, as would the Massachusetts Film Office and the Massachusetts Sports Partnership, presently under the umbrella of the Massachusetts Sports and Entertainment Commission, and the Massachusetts Export Center, currently housed within the Small Business Development Center Network. The Partnership and its agencies would operate as state agencies for purposes of state finance law.

#### Sections 32-33 – Office of Small Business and Entrepreneurship

These sections establish a program of direct consulting expertise for small businesses. The office will maintain a directory of private consultants available to provide the finance and management consulting that will be a condition of the receipt of financial assistance from any of the state's public authorities

#### Sections 41, 63, 66, 68, 91, 98, 104, 117, 125, 128, 131, 133 – Uniform stringent reporting requirements

These sections apply uniform reporting requirements to various state and quasi public authorities. Those requirements include annual reports on agency activities to be submitted to the secretary, a biennial audit by the state auditor, an annual audit by an independent accountant and the publication of audited financial statements. This section also requires an annual “gap assessment” report by the secretary on public lending activities by state authorities to businesses of all types, including small businesses.

#### Sections 42-45, 146, 148 – Capital Access Program

These sections remove the statutory requirement that the Massachusetts Business Development Corporation, a corporation created by Massachusetts statute, operate the capital access program of lending to small businesses and the redevelopment access to capital program of lending to support brownfields redevelopment projects, both of which are supported by state appropriations. Instead, the executive office of housing and economic development would be required to put the administration of those programs out to competitive bid.

#### Sections 47-52 – Economic Stabilization Trust consolidation

These sections move the Economic Stabilization Trust, which provides capital assistance and turnaround consulting to struggling businesses, under the management of the new Massachusetts Small Business Finance Corporation.

#### Section 53 – Repeal of Technology 2000

This section repeals this obsolete program from the Massachusetts General Laws.

#### Sections 54-55, 58, 69, 118, 121, 126, 137-139 – Elimination of HEFA and MassDevelopment duplication

These sections eliminate redundancy in state government by removing MassDevelopment’s ability to issue tax-exempt bonds on behalf of non-profit educational institutions and cultural institutions. HEFA, which was formed more than twenty years before the legislature created a similar program in MassDevelopment’s predecessor, would be the sole agency with the power to provide these important and valuable services to the nonprofit institutions that are critical to the Commonwealth’s economy. The sections would require HEFA to publish a fee schedule or methodology annually, and would create a temporary two-year freeze on increases in the fees charged. HEFA would be required to make its increased revenues available for its programs. The sections also codify HEFA into the General Laws.

#### Sections 56-57, 63, 67, 89-90, 96-97, 99-103, 123-124, 127, 129-130, 132 – Changes to boards of directors

These sections make the secretary of housing and economic development the chair of all state authority boards engaged in economic development and business assistance activities, to promote accountability, communication and coordination.

#### Sections 59-62 – Emerging Technology Fund

These sections authorize the use of the fund to support the Massachusetts Technology Transfer Center (MTTC) and add the executive director of MTTC to the advisory committee for the Fund.

#### Sections 64-65, 113-116 – Massachusetts Technology Transfer Center

These sections authorize the Life Sciences Center to make grants to support the work of the MTTC, and add the heads of the Life Sciences and Clean Energy Centers, MassDevelopment and the John Adams Innovation Institute to the advisory committee for MTTC.

#### Section 70 – Voice-Over Internet Protocol

This section prohibits regulation of voice-over Internet protocol by state agencies to ensure that the Internet remains free from state regulation.

#### Section 71 – Definition of state authority

This section improves the current definition of “State authority” found in state finance law.

#### Section 72 – Lobbyist prohibition

This section prohibits state authorities from using state funds to pay registered lobbyists.

#### Sections 73-80, 135, 143 – Small business impact statements

These sections strengthen the current requirement that administrative agencies adopting new regulations file a statement regarding the impact of the proposed regulations on small businesses. The sections require such a statement to be created during the public comment period, and before any hearing on draft regulations. The sections also promote a culture of entrepreneurship by requiring an analysis of whether the regulation might encourage or deter the formation of new businesses. The sections also require administrative agencies to consider various methods of reducing costs on small businesses, and require that the least costly method be used as long as it can be used consistent with the purposes of the statute under which the regulation is being promulgated. Finally, the sections also require a rolling review of existing regulations to determine whether they should be repealed or amended in light of these requirements.

#### Sections 81-82, 140 – Pension fund support for growth companies

These sections authorize the creation of a \$25-50 million program of credit support by the state pension fund to support lending to fast growing small businesses in Massachusetts.

### Sections 83-85, 112 – Improved flexibility on TIFs

These sections improve the municipality's flexibility in determining the size of the exemption that will be available in tax-increment financing zone.

### Section 86 – Repeal of the Massachusetts Industrial Development Authority

This section repeals an obsolete chapter of the General Laws, since the authority discussed in that chapter no longer exists.

### Sections 87-88, 92-95, 119-120, 141, 147, 149 – the Massachusetts Small Business Finance Corporation

These sections create the Massachusetts Small Business Finance Corporation, the successor to the Community Development Finance Corporation, while loosening a number of the restrictions in the current statute that inhibit access to capital. The sections also consolidate provisions concerning community development corporations into Chapter 40H, which governs the Community Economic Development Assistance Corporation.

### Sections 105-110 – Improved flexibility on DIFs

These sections improve the municipality's flexibility in determining the duration of a district improvement financing zone, and gives municipalities the option to not to apply an inflation rate to the original assessed value of the property in the affected district.

### Section 111 – Disregarded LLCs

This section treats disregarded limited liability companies the same as their parent research and development corporation for purposes of the property tax exemption available to such corporations.

### Section 122 – Limit on small claims court

This section raises the limit on filings in small claims court from the current \$2,000, where it has been for many years, to \$7,000 to improve low-cost access to small claims court.

### Section 134 – Permit extension

This section extends certain permits issued by state and local permitting authorities for a period of 3 years in reaction to the lending crisis that has choked off credit for many development projects.

### Section 136 – Study of energy costs

This section commissions the secretary of housing and economic development to study energy cost and reliability in the commonwealth to ascertain the extent to which recent energy initiatives may be contributing to high energy costs in the commonwealth.

#### Section 144 – Commission on a state-owned bank

This section calls for a commission to study the possibility of the state owning a chartered bank. The study would include a review of the experiences of other state-owned banks, both in terms of financial performance and the lending practices of such banks.