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MEMORANDUM

TO: All House Members

FROM: Representative Joseph Hackett *JH*
Representative Warren Kampf *WK*

SUBJECT: Co-sponsorship Legislation on Venture Capital

DATE: May 22, 2012

In the near future, we plan to introduce legislation to create the Innovate Pennsylvania Program to provide for venture capital investments in the Commonwealth's job creating technology industry. As we recover from the recession, our economy is evolving. Pennsylvania is in a unique position to take advantage of our innovative environment to strengthen high-growth companies in industries that create good paying, quality jobs.

Due to recent budget shortfalls and our struggling economy, the funding stream dedicated to making investments in this sector has been significantly cut over the years from \$53 million to just over \$14 million. The potential for job growth and business expansion in this industry is limitless. The state often sees a dramatic return on investment in these programs dedicated to supporting science and technology innovation. Being able to identify capital for investment in these companies is essential to future success and prevents the loss of huge gains the Commonwealth has already made in this arena.

The Innovate Pennsylvania Program provides a new funding source for these companies that does not rely on existing monies. The program will offer \$175 million of deferred premium tax credits to qualified insurance companies who pay the insurance premium tax in the Commonwealth at a discounted rate. These companies will bid for the tax credits. Once the tax credits have been sold, the revenue from the sale will be transferred to the Ben Franklin Technology Development Authority to distribute to the Ben Franklin Technology Partners and the Venture Investment Program. The BFTDA has the ability to invest and deploy capital to

qualifying businesses and also has existing strict guidelines in place for reporting and auditing requirements.

Participating insurance companies will receive tax credits once capital has been pledged but may not begin using them until 2015. The total amount of tax credits claimed may not exceed \$35 million each year. This innovative strategy will allow for investments to be made immediately and, in turn, overall revenue will increase from new jobs and businesses to offset any fiscal impact of the credit once it is redeemed in future years.

If you wish to join us in sponsoring this legislation, please contact Amy Barr in my office at 260-6168 or email abarr@pahousegop.com.

JTH/ab