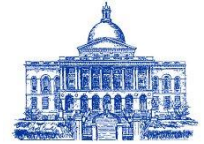




RICHARD T. MOORE

STATE SENATOR • WORCESTER & NORFOLK

TESTIMONY



S 2270

An Act Promoting Economic Development Throughout the Commonwealth.

Section 1. Sunset Review Agency

Texas, Florida and a several other states have laws that require all state agencies to terminate after a set amount of years, unless affirmatively re-authorized by their respective Legislature. Texas has saved nearly \$800 million in the past twenty-seven years, consolidated 12 agencies and abolished 58 agencies.

This proposal would assign mandatory sunset dates for each agency within the Commonwealth upon an annual review by the Sunset Review Agency. Enhancing access to the general public, this legislation also provides an opportunity for residents of Massachusetts to comment on how well an agency performs its duties, by compiling an online database and catalogue of each review conducted by the Sunset Agency. Upon any suggestions for termination or continuance of an agency, the Legislature has opportunity to decide if the agency should be abolished, reformed, or consolidated, based on the data collected, and with consideration of public input. The Sunset Agency would operate independently, and would provide an objective approach to streamlining government efficiencies through consolidation, reorganization, or abolition of state entities.

The only suggested change this provision would be, in line 14, the definition of "State Agency" should be defined as "Section 1 of Chapter 29".

Small Business Health Insurance (Redraft of S 2170)

In these tough economic times, controlling health care costs matters more than ever, especially to small employers and individuals who must purchase their own insurance. The Affordable Health Plans are two products that are designed to control costs for small businesses and individuals, decreasing premiums by up to 22%. This legislation creates two new health care products with benefits actuarially equivalent to bronze level seal-of-approval and silver medium level seal-of-approval coverage. The plans would be available to all small employers (50 or fewer employees) and individuals, and could be purchased through or outside the Connector Authority. Additionally, these plans establish a statutory rate cap on reimbursements to all providers at no more than 110% of Medicare for all covered services, other than outpatient pharmacy benefits.

Upon implementation, the plans could go into effect and begin achieving savings as early as April 2010 if rate caps were adopted immediately. Prohibition of providers billing patients in excess of the reimbursement amount and established co-payments, co-insurance or deductibles are another

component aimed at driving down costs. Additionally, the plans prohibit providers from shifting costs to other products, and charges the Division of Health Care Finance and Policy with monitoring provider charges and reporting noncompliance to the Attorney General. The plans require the carriers to maintain a minimum medical loss ratio of 90%, to limit post-tax underwriting surpluses to 1% for the entire small group/non-group market, and to pass along any savings to the consumer.

In further efforts to prevent drastic increases in rates for individuals and employers, the Division of Insurance is given the authority to determine annually the cap on the allowable group-specific adjustments. Insurers are also given the responsibility for recovering co-pays and deductibles, and are prohibited from unilaterally amending contract terms.

Business Continuity and Recovery (S 962)

On Saturday, July 21, 2007, an eight-alarm fire destroyed much of the Bernat Mill Complex in the town of Uxbridge, displacing over 60 small businesses and placing considerable financial strain on the businesses' owners and the town. This piece of legislation evolved from suggestions from owners of these businesses and their municipal leaders. After suggesting a number of steps Massachusetts could take to help small businesses recover from a similar debilitating disaster, Sen. Moore assembled a comprehensive approach to small businesses reeling from a natural disaster.

Among the suggestions that are integral to this legislation, includes incentives that would encourage business owners to protect their businesses against possible disasters, and tax exemptions that would help businesses to quickly rebuild, rehire their employees, and resume their important role in the Massachusetts economy. Encouragement to purchase Business Continuity Insurance by offering them a tax exemption of ½ of the premium cost is included in this bill, along with a sales tax exemption for the office supplies, machinery, vehicles and other equipment that a business must replace as a result of an emergency.

At the municipal level, this legislation allows towns to enter into real estate tax abatement agreements with businesses impacted by a natural disaster. Lastly, an unemployment compensation program for self-employed individuals and small businesses that have been displaced by a disaster or emergency would be created.

Minimum Corporate Excise Tax

Many of the smallest businesses which aren't making any money are finding it burdensome to maintain their existence and are simply going out of business. By allowing them to remain as legal business activities, they will be a position to return to activity and grow as the economy allows rather than having to go through the onerous requirements to resurrect their corporate entity. The small revenue loss would be more than offset by businesses being able to pay the lower amount who are now simply terminating their legal existence.

MORE Infrastructure Program (H 337)

The Massachusetts Opportunity Rebuilding and Expansion initiative, commonly referred to as "Chapter 23K," would allow municipalities that are unable to finance infrastructure themselves to

provide an optional, efficient mechanism to construct, administer, operate and repair project infrastructure without increasing local real estate taxes. The bill would accomplish this by creating independent zones, in which taxpayers within that zone would be the only individuals financing the proposed infrastructure projects. 80% of the residents within the 23K zone would have to sign a petition before the project is granted. Additionally, Chapter 23K would provide a 35 year pay back for property owners, as opposed to a maximum of 20 years under existing laws for betterments and assessments. Passage of Chapter 23K would not conflict with eminent domain statutes, and the legislation provides yet another option for municipalities to lessen the economic impacts to its greater populations.

It should be noted that payments for the projects within the designated zones outlined in this legislation could be subject to the market of development district bonds. An example of the success of these development bonds is the Harbor Point Infrastructure Improvement District for the Harbor Point development in Stamford, Connecticut. Stone & Youngberg successfully marketed \$145,000,000 of unrated bonds for the mixed-use project—the primary security for the bonds being incremental property tax revenues expected to be generated from the project, along with a back-up special assessment. Most of the bonds were sold on a tax-exempt basis at a rate of 7.875%, with a maturity in 2039. The combination of these bonds, some shorter term bonds and \$16,000,000 of taxable Recovery Zone Economic Development Bonds at a 12.5% rate with a 45% Federal interest subsidy, resulted in an overall net rate of 7.69%. This provides additional incentive for the potential success of development zones under Chapter 23K, and offers additional assurance in the potential resources available to our communities.

Small Business Access to State Procurement Activity

Small businesses across the Commonwealth have found it exceedingly difficult to compete for state or municipal-level business transactions. This legislation aims to expand a section of the law that reserves state or municipal business interaction to specific entities, to include “small businesses,” as defined in the General Laws. In addition to including language that will specify small business’s abilities to conduct business with the Commonwealth and/or its municipalities, this bill sets forth language that would create a Commission to investigate obstacles within state laws or regulations that prevent small businesses from conducting business with Massachusetts and/or its communities. Passing this legislation would ensure that the Commonwealth is working proactively in allowing its small businesses to maximize their commerce and capital within the state.

Brownfields Tax Credit Program

Massachusetts is generally considered to have one of the best Brownfields remediation assistance programs. In addition to limited funding for grants, loans and a State subsidized insurance program, the Commonwealth has a Brownfields tax credit program. Several years ago, a change in the General Laws made the credits transferable and also made nonprofit organizations eligible to qualify and sell credits they earned for doing remediation. For example, Alternatives Unlimited in Whitinsville undertook the development of a new headquarters and training facility. This nonprofit encountered Brownfields’ issues that required the expenditure of a substantial sum to complete remediation of the site. Alternatives Unlimited was able to sell its credit and use the funds for its charitable activities. The remediation removed a public health potential problem and saved the Commonwealth a greater sum than the credit had it done the remediation.

Under current law, the tax credits will sunset at the end of 2011. Given the Commonwealth's clear policy to encourage the reuse of Brownfields, it makes sense to remove the sunset provisions. It would also make sense to allow municipalities, or municipal agencies such as redevelopment authorities (perhaps to be limited to Gateway cities which have more than their fair share of Brownfields sites) to qualify for the credits if local funds were used for remediation. Perhaps the funds received from sold credits should be limited to municipal infrastructure needs.