



Senate

General Assembly

February Session, 2000

File No. 500

Senate Bill No. 486

Senate, April 10, 2000

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

An Act Concerning Standards For State Economic Development Assistance.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) As used in this act:

2 (1) "Awarding authority" means the Commissioner of Economic and
3 Community Development, the board of directors of the Connecticut
4 Development Authority, the board of directors of Connecticut
5 Innovations, Incorporated and the head of any other state agency
6 authorized to award state assistance, as defined in subdivision (2) of
7 this section.

8 (2) "State assistance" means any grant, loan, loan guarantee or
9 issuance of tax benefit not of general applicability for the purpose of
10 economic development that is (A) made to a business entity operated
11 for profit, and (B) in an amount greater than five hundred thousand
12 dollars or that, if added to any other such state assistance made to the

13 same business entity during the preceding five years, would total
14 greater than five hundred thousand dollars.

15 Sec. 2. (NEW) An awarding authority shall not award state
16 assistance pursuant to this act unless the recipient of such assistance
17 enters into an agreement with the awarding authority, for the term of
18 the agreement or for a period of five years following the receipt of such
19 assistance, whichever is greater, to (1) remain in substantial and
20 material compliance with state and federal law; (2) provide
21 compensation, including benefits or the actuarial value of benefits, that
22 is at least equal or equivalent to the standard compensation
23 determined in accordance with the provisions of section 4 of this act;
24 (3) offer compensation and benefits to part-time employees that are
25 comparable to the compensation and benefits offered to full-time
26 employees performing comparable work, prorated as to the amount of
27 time worked that is less than the standard for full-time employees of
28 the recipient; and (4) maintain or increase full-time employment, based
29 on the highest total number of full-time employees of the recipient on
30 any date during the period commencing one year prior to the date of
31 the agreement and ending on the date of the agreement. For purposes
32 of this section, "full-time employee" means any employee (A) receiving
33 the full amount of any noncash benefits available to employees of the
34 recipient, and (B) who averages, over any one-year period, not less
35 than thirty hours of work per week as an employee of the recipient.
36 The awarding authority may require that each recipient of state
37 assistance provide such information as is necessary to determine
38 compliance with the requirements of this act and shall include a
39 requirement to provide such information in any agreement entered
40 into that is subject to this act.

41 Sec. 3. (NEW) (a) If an awarding authority finds that a recipient of
42 state assistance is not in material and substantial compliance with an
43 agreement entered into pursuant to section 2 of this act, the awarding
44 authority shall provide written notice, by registered mail, to the

45 recipient and shall order the recipient to come into compliance with
46 such agreement not less than one hundred eighty days following
47 receipt of such notice. Failure to comply with reporting requirements
48 set forth in such agreement shall be deemed a failure to comply with
49 this act. If the recipient fails to come into compliance with such
50 agreement within the one-hundred-eighty-day period, the awarding
51 authority may (1) unilaterally rescind the agreement and require that
52 the state be made whole by the repayment by the recipient of (A) the
53 amount of any grant made, (B) the amount of any loan outstanding,
54 including any interest necessary to make the state whole, or (C) the
55 amount of any tax benefit received, or (2) impose a penalty, for the
56 period of failure to comply, at the rate of one per cent per month or
57 any part thereof of the amount of the grant, tax benefit or loan
58 outstanding. The awarding authority may foreclose on any collateral
59 or bond related to such grant, tax benefit or loan for the purpose of
60 payment of such penalty and any costs incurred by the awarding
61 authority in connection with collection of such penalty.

62 (b) Notwithstanding the provisions of subsection (a) of this section,
63 any recipient of state assistance that reduces the number of its full-time
64 employees, as defined in section 2 of this act, within the state by more
65 than twenty-five per cent during the period of the agreement or a
66 period of five years following the receipt of such assistance, whichever
67 is greater, shall be ordered by the awarding authority to repay the
68 amount of the state assistance received plus a penalty of five per cent
69 of such amount.

70 (c) If the recipient of state assistance in the form of a loan is late in
71 making payment of any periodic instalment due on such loan, the
72 awarding authority shall not waive any standard late fee.

73 (d) Annually, on or before January first, each awarding authority
74 shall notify the Governor and the General Assembly of each recipient
75 of state assistance that has failed to materially and substantially

76 comply with the provisions of any agreement entered into pursuant to
77 section 2 of this act during the preceding calendar year and the actions
78 taken by the awarding authority with respect to such recipient.

79 Sec. 4. (NEW) (a) The Labor Commissioner shall determine and
80 annually adjust rates of standard compensation for hourly clerical,
81 service and production employees, each as a group, and for salaried
82 clerical, service and nonmanagerial professional employees, each as a
83 group, with respect to each type of business entity that corresponds to
84 a business entity that is a recipient of state assistance. The awarding
85 authority shall use such rate to determine compliance with the
86 provisions of this act. Standard compensation shall be at least equal to
87 the amount deemed necessary by the awarding authority, in
88 consultation with the Labor Commissioner, if the recipient does not
89 offer a comprehensive health benefits plan or a qualified pension plan.

90 (b) Nothing in this section shall be deemed to supersede or modify
91 any collective bargaining agreement entered into by a recipient.

92 (c) The Labor Commissioner shall adopt regulations, in accordance
93 with the provisions of chapter 54 of the general statutes, to carry out
94 the purposes of this section. Such regulations may include guidelines
95 and procedures relating to the information that is required to be
96 reported by each recipient.

LAB Committee Vote: Yea 8 Nay 4 JF C/R FIN

FIN Committee Vote: Yea 25 Nay 21 JF

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Cost, Potential Future Cost (GO Bond Funds)

Affected Agencies: Department of Economic and Community Development, Department of Labor, Connecticut Development Authority (quasi-public), Connecticut Innovations, Inc. (quasi-public), various

Municipal Impact: None

Explanation

State Impact:

It is anticipated there would be an increase in the administrative workload of the Department of Economic and Community Development (DECD), Connecticut Development Authority (CDA), Connecticut Innovations, Inc. (CII), or any other state agency which provides economic development assistance to for profit or nonprofit businesses. Based on past experience, it is estimated that there are approximately 20-25 new assistance agreements a year for DECD and CDA and 10 a year for CII that would be impacted. Additional agreements would be impacted due to any cumulative affect. DECD would need a minimum of 2-3 employees and associated expenses at a cost of approximately \$125,000-\$175,000. It is also anticipated that CDA will need 2-3 additional employees and CII will need one additional employee. Funds for these employees will come from

operating expenses of these entities and will reduce funds available for future projects and could increase the need for future bond authorizations. These costs assume that all businesses will still choose to receive assistance under the additional conditions.

Any revenue gain or savings due to the penalty provisions are anticipated to be minimal.

The bill requires the labor commissioner to determine and annually update standard compensation rates for hourly clerical service and production employees, and salaried clerical, service and non-managerial professional employees for each type of business entity that receives state economic development assistance. He must adopt regulations concerning standard rates. This workload increase can be handled within the anticipated budgetary resources of the Department of Labor.

OLR Bill Analysis

SB 486

AN ACT CONCERNING STANDARDS FOR STATE ECONOMIC DEVELOPMENT ASSISTANCE.**SUMMARY:**

This bill places requirements on for-profit entities seeking more than \$500,000 of economic development assistance from the Department of Economic and Community Development commissioner, the Connecticut Development Authority board of directors, the Connecticut Innovation, Inc., board of directors, or any state agency.

The bill applies to any economic development grant, loan, loan guarantee, or tax benefit that is not of general applicability. It applies if the assistance is more than \$500,000 or, if added to other assistance the entity has received in the past five years, equals more than \$500,000.

The bill requires the entity to enter an agreement for at least five years (or a longer term if the agreement specifies) to:

- (1) materially and substantially comply with federal and state law,
- (2) provide standard compensation rates to its full-time and part-time employees that (a) the labor commissioner establishes and (b) includes benefits or their actuarial equivalent, and
- (3) maintain or increase full-time employment.

The bill establishes noncompliance penalties. It requires the state authority to include a requirement in its agreements concerning proof that entities are complying with the bill. The authority can require entities to provide information necessary to determine compliance.

EFFECTIVE DATE: October 1, 2000

STANDARD COMPENSATION RATE

The bill requires the labor commissioner to determine and annually update standard compensation rates for (1) hourly clerical, service, and production employees and (2) salaried clerical, service, and nonmanagerial professional employees for each type of business entity that receives state economic development assistance. He must adopt regulations concerning standard rates.

If the entity does not offer a comprehensive health plan or a qualified pension plan, the standard compensation rate must be at least equal to the amount the state authority deems necessary after consulting with the labor commissioner.

The bill specifies that standard compensation rates do not affect collective bargaining agreements.

FULL-TIME EMPLOYMENT

The bill requires entities to maintain or increase “full-time” employment. It defines this term as the highest number of employees the entity had on any given day in the calendar year preceding the date the agreement is signed. A full-time employee is one who (1) works, on average over a one-year period, at least 30 hours a week and (2) receives full fringe benefits.

NONCOMPLIANCE PENALTIES

Failure to Materially and Substantially Comply With Agreement

If a state authority that awards assistance finds that the for-profit entity has not materially and substantially complied with the agreement, it must give the entity written notice by registered mail that it has 180 days to comply. If it does not comply, the state authority can:

1. rescind the agreement and require the entity to repay the state the amount of the grant, any outstanding loan amount (including interest necessary to make the state whole), or the amount of any tax benefit received;

2. for the noncompliance period, impose a penalty of 1% per month of the amount of the grant, tax benefits, or outstanding loan; and
3. foreclose on any collateral or bond related to the state assistance to recoup any penalty and any collection cost.

The bill specifies that failure to comply with agreement reporting requirements constitutes a failure to comply with the bill. Presumably, the reporting requirements this provision refers to concern the requirement that entities provide state authorities with information that allow the authority to determine whether the entity is complying with the bill.

Failure to Comply With Full-Time Employment Requirement

If an entity reduces its full-time workforce by more than 25% within five years or the term of the agreement, whichever is longer, the state authority must require it to repay the state the assistance amount plus a 5% penalty.

Late Loan Payments

The bill bars a state authority that has awarded economic assistance from waiving a standard late fee for any entity that has received a loan and is late in making a payment.

Authorities Report on Noncompliance Activity

The bill requires each affected state authority to annually report to the governor and the General Assembly by January 1 the name of each entity that has not complied with the bill and actions the authority took in response to the noncompliance.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Change of Reference

Yea 8 Nay 4

Finance, Revenue and Bonding Committee

Joint Favorable Report
Yea 25 Nay 21