



House of Representatives

File No. 805

General Assembly

January Session, 2001

(Reprint of File No. 123)

House Bill No. 6565
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 24, 2001

**AN ACT CONCERNING THE TAX INCREMENTAL FINANCING
PROGRAM ADMINISTERED BY THE CONNECTICUT DEVELOPMENT
AUTHORITY AND CONCERNING FINANCIAL ASSISTANCE FOR
BIOTECHNOLOGY PROJECTS.**

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

1 Section 1. Subsection (k) of section 32-285 of the general statutes is
2 repealed and the following is substituted in lieu thereof:

3 (k) No commitments for new projects shall be approved by the
4 authority under this section on or after July 1, [2001] 2005.

5 Sec. 2. Subsection (f) of section 23 of public act 98-179 is repealed
6 and the following is substituted in lieu thereof:

7 (f) (1) The authority may issue, from time to time, but in no case later
8 than January 1, [2003] 2005, one or more series of bonds in accordance
9 with the provisions of chapter 579 of the general statutes, to the extent
10 not inconsistent with the provisions of this subsection, payable in whole
11 or in part from the project area taxes allocated and deemed appropriated
12 from the General Fund under subsection (e) of this section to finance the

13 various phases of the Steel Point Project as approved under this section
14 or, at any time, to refund bonds previously issued under this section. The
15 authority may make a grant of all or part of the proceeds of such bonds
16 to any person in connection with the Steel Point Project, including the
17 state or the city, or any instrumentality or agency of the state or the city,
18 to defray their expenses in connection with the Steel Point Project.
19 Subject to applicable federal tax law, the authority may issue such bonds,
20 the interest on which is excludable from gross income for federal income
21 tax purposes, or such bonds, the interest on which is not so excludable.
22 The authority, when authorizing the issuance of any series of such
23 bonds, shall, in conjunction with the State Treasurer, determine the rate
24 of interest of such bonds, the date or dates of their maturity, the medium
25 of payment, the redemption terms and privileges, whether such bonds
26 shall be sold by negotiated or competitive sale and any and all other
27 terms, covenants and conditions not inconsistent with this section, in
28 connection with the issuance thereof, including, but not limited to, the
29 creation of capitalized interest or operating reserves and the pledging of
30 special capital reserve funds authorized under subsection (b) of section
31 32-23j of the general statutes.

32 (2) The issuance of any bonds by the authority pursuant to this section
33 shall be subject to the approval of the State Bond Commission. If the
34 authority approves bonding for the Steel Point Project, the authority
35 shall submit the matter to the State Bond Commission for final approval.
36 In reaching its decision, the State Bond Commission may consider the
37 information considered by the authority, the independent financial
38 assessment and such other financial information as it deems appropriate.
39 After such approval by the State Bond Commission, no other approval
40 shall be required for the issuance of bonds pursuant to this section to
41 support the Steel Point Project.

42 (3) Prior to the issuance of any bonds by the authority pursuant to this
43 section, the developer shall deliver to the authority security for its
44 performance of that phase of the Steel Point Project then to be
45 constructed.

46 (4) The issuance of any bonds by the authority pursuant to this section
47 shall be deemed issued under section 32-285 of the general statutes for
48 purposes of calculating the state debt limitation pursuant to section 3-21
49 of the general statutes.

50 Sec. 3. Section 32-462 of the general statutes is repealed and the
51 following is substituted in lieu thereof:

52 (a) As used in this section:

53 (1) "Agency" means the Department of Economic and Community
54 Development, the Connecticut Development Authority or Connecticut
55 Innovations, Incorporated.

56 (2) "Financial assistance" means grants, loans, loan guarantees,
57 contracts of insurance, investments, or combinations thereof, which are
58 provided from the proceeds of bonds, notes or other obligations of the
59 state or an agency which constitute a debt or liability of the state or
60 which are secured by a special capital reserve fund payable from
61 amounts appropriated or deemed appropriated from the General
62 Fund.

63 (3) "Applicant" means any eligible applicant seeking financial
64 assistance from an agency for a business project. The term "applicant"
65 shall not include any political subdivision of the state.

66 (4) "Business project" means a business proposal undertaken by one
67 or more applicants, but does not include housing unless undertaken in
68 combination with another unrelated type of business.

69 (5) "Biotechnology business project" means any commercial project
70 to be used or occupied by any person to conduct laboratory activity
71 relating to, or the research, development or manufacture of,
72 biologically active molecules or devices that apply to, affect or analyze
73 biological processes.

74 (b) (1) No agency or agencies may award more than a total of ten
75 million dollars of financial assistance during any two-year period to an

76 applicant or for a business project unless such financial assistance is
77 specifically authorized by an act of the General Assembly which has
78 been enacted before, on or after July 1, 1994. (2) The provisions of
79 subdivision (1) of this subsection shall not apply to any awards funded
80 or to be funded by bonds authorized to be issued by the State Bond
81 Commission before July 1, 1994.

82 (c) Notwithstanding the provisions of subsection (b) of this section,
83 no agency or agencies may award more than twenty million dollars of
84 financial assistance for a biotechnology business project during any
85 two-year period unless such financial assistance is specifically
86 authorized by an act of the General Assembly which has been enacted
87 before, on or after the effective date of this act.

88 Sec. 4. This act shall take effect July 1, 2001.

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: See explanation below

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

Municipal Impact: None

Explanation

State Impact:

Section 1 extends the sunset date for the Tax Incremental Financing (TIF) Program from 7/1/01 to 7/1/05. This may result in costs to the Connecticut Development Authority (CDA) if towns submit applications for TIF projects that do not subsequently receive funding. Under the program, towns are required to reimburse the agency for expenses associated with the statutory evaluation process, including a financial assessment, a revenue impact assessment and legal fees. However if for any reason the project does not receive TIF funding, the agency's costs are not reimbursed. Based on data from 4 previous projects that received TIF financing, the agency's costs are approximately 2.4% of the total amount of bonds issued for the project. It should be noted that in FY 99 CDA evaluated an application for \$28 million in TIF financing from the City of New Haven for the Long Wharf Project. The cost to the agency to evaluate the project was \$111,664 but the expenses were not reimbursed because the application

was withdrawn.

Section 2 extends the deadline by which the Connecticut Development Authority (CDA) is permitted to issue \$120 million in TIF bonds for the Steel Point Project in Bridgeport from 7/1/03 to 7/1/05. To the degree that this extension increases the likelihood that CDA will issue the bonds for this project, there will be an increase in debt service costs in future years.

Section 3 raises from \$10 million to \$20 million the cap on funding that the Department of Economic and Community Development, Connecticut Innovations, Inc., and CDA may provide over a 2-year period without specific legislative authorization. The change is effective only for biotechnology business projects. To the degree that this causes General Obligation (GO) bond funds to be expended more rapidly than they otherwise would have been, the change will increase debt service costs in future years.

House "A" added the provisions in Sections 2 and 3, which could increase debt service costs in the future.

OLR Amended Bill Analysis

HB 6565 (as amended by House "A")*

AN ACT CONCERNING THE TAX INCREMENTAL FINANCING PROGRAM ADMINISTERED BY THE CONNECTICUT DEVELOPMENT AUTHORITY.**SUMMARY:**

This bill extends the Connecticut Development Authority's (CDA) Tax Increment Financing Program for four years, from July 1, 2001 to July 1, 2005. Under this program, CDA can issue bonds to finance a project if it can generate enough incremental sales, admission, and dues tax revenue to repay the debt service on the bonds.

The bill allows larger scale biotechnology business projects to receive up to \$20 million, rather than \$10 million, in state financing without the legislature's prior approval. Current law bans CDA, Connecticut Innovations, Inc. (CII), and the Department of Economic and Community Development (DECD) from providing over \$10 million in financing for any type of project during any two-year period unless the legislature approves the amount by law. The bill raises the threshold to \$20 million for biotechnology business projects, thus exempting the agencies from obtaining legislative approval for financing below that amount.

The bill also extends the time period during which CDA can issue bonds for the proposed Steel Point project in Bridgeport for two years, from January 1, 2003 to January 1, 2005. The bonds cannot exceed \$120 million or 20% of the projected costs. CDA issues the bonds under its own authority and backs them with specified state revenue generated in the designated project area.

*House Amendment "A" extends the tax increment financing program's sunset date for four years instead of two, as under the original bill; allows larger scale biotechnology projects to receive state financing without the legislature's prior approval; and extends the period during which CDA can issue bonds for Bridgeport's Steel Point project.

EFFECTIVE DATE: July 1, 2001

BIOTECHNOLOGY BUSINESS PROJECT

Current law requires CDA, CIL, and DECD to obtain the legislature's approval before they can provide more than \$10 million in any two-year period financing to any type of business project. The bill raises this threshold to \$20 million for commercially related biotechnology projects that involve researching, developing, or manufacturing biologically active molecules or devices that affect, analyze, or apply to biological processes. The agencies must still get legislative approval before they can provide financing that exceeds this amount during any two-year period.

BACKGROUND

Legislative History

On April 10, the House referred the bill to the Finance, Revenue and Bonding Committee, which reported the bill favorably without changes on April 19.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Report
Yea 23 Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Report
Yea 40 Nay 5