



Joan McDonald
Commissioner



State of Connecticut
Department of Economic and
Community Development

TESTIMONY SUBMITTED TO THE COMMERCE COMMITTEE
March 11, 2008

Joan McDonald, Commissioner
Department of Economic and Community Development

HB 5883 AN ACT CONCERNING FUNDING FOR THE SILAS BRONSON LIBRARY, FOR WATERBURY INDUSTRIAL COMMONS, AND AMENDING THE URBAN AND INDUSTRIAL SITE REINVESTMENT PROGRAM.

The Department of Economic and Community Development (DECD) offers the following comments in **opposition** to Section 3 of *House Bill 5883 AN ACT CONCERNING FUNDING FOR THE SILAS BRONSON LIBRARY, FOR WATERBURY INDUSTRIAL COMMONS, AND AMENDING THE URBAN AND INDUSTRIAL SITE REINVESTMENT PROGRAM.*

The proposed amendments to the existing Urban and Industrial Sites program (CGS 32-9t) are unnecessary as investments in energy production facilities are already eligible. Including language that specifically mentions this type of project is unnecessary. Moreover, doing so could lead to expectations the state will be unable to meet given the program's job creation requirements.

The department recognizes the underlying intent of this proposal and agrees that additional energy generation in the state is needed. This program however, is not the best vehicle to achieve this end. DECD has, to date, evaluated funding several energy producing facilities under this program, none of which had the type of investment or job creation that would warrant them receiving a significant amount of credits. On a general note, this program is not well suited to funding energy production projects. This is primarily because the amount of credits that can be made available for a given project is based on the project's potential economic and fiscal impact. Power plants typically don't employ a large number of employees and employment is the driver of long-term economic activity. Capital investment makes a significant short-term bump in economic activity; however it is employment that creates the long-term economic and fiscal impacts necessary to support the credits available under this program.

The original intent of this statute was to encourage capital investments in urban areas and brownfield sites and to create jobs. Adding a specific call out in the statute for energy generating companies does not change our ability to assist these companies. It will however, inject a sense of favoritism towards energy generating companies and create a level of expectation among power generating firms that cannot be met - we will still be faced with the fact that these projects will not create the economic and fiscal impacts needed to support the level of tax credits necessary to support these projects. Implementing this language will not send a positive message to the business community and will ultimately make this program more difficult to administer.

We would be happy to have further discussions with the proponents of this bill. However, DECD would urge the committee to **not** take favorable action on Section 3 of the proposal.

Thank you for your consideration of the departments views on this bill.
505 Hudson Street, Hartford, Connecticut 06106-7106
An Affirmative Action / Equal Opportunity Employer
An Equal Opportunity Lender