



Senate

General Assembly

File No. 443

February Session, 2008

Substitute Senate Bill No. 390

Senate, April 4, 2008

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING TECHNICAL CHANGES TO ECONOMIC DEVELOPMENT STATUTES.

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

1 Section 1. Section 32-221 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 It is found and declared that the maintenance and continued
4 development of the state's manufacturing [sector] and other economic
5 base business sectors is important to the economic welfare of the state
6 and to the retention and creation of job opportunities within the state;
7 that [the manufacturing sector] these sectors of the state's economy [is]
8 are facing increased competition from other geographic areas of the
9 world; that assistance from the state can promote the retention,
10 expansion, and diversification of existing manufacturing and other
11 economic base businesses and encourage manufacturing and other
12 economic base businesses from other geographic areas to locate into
13 the state; that assistance from the state can enhance employment
14 opportunity and the tax base of communities, particularly in the state's

15 more economically disadvantaged communities; that the economic
16 competitiveness of manufacturing and other economic base businesses
17 is dependent in part upon the provision of adequate business support
18 services such as day care, job training, education, transportation,
19 employee housing, energy conservation, pollution control and
20 recycling; that state assistance to promote the retention and expansion
21 and increase the competitiveness of manufacturing and other
22 economic base businesses is an important function of the state and is a
23 public use for which public moneys may be expended; that in certain
24 cases assistance and encouragement of diversification of
25 manufacturing and other economic base businesses within the state
26 may promote the economic welfare of the state and is a public use and
27 purpose for which public moneys may be expended; that the
28 participation and cooperation of the state's agencies and authorities in
29 providing financial assistance will improve the timeliness and decrease
30 the costs to businesses of providing such assistance; and therefore the
31 necessity in the public interest and for the public benefit and good for
32 the provisions of sections 32-220 to 32-234, inclusive, is hereby
33 declared as a matter of legislative determination.

34 Sec. 2. Section 32-222 of the general statutes is repealed and the
35 following is substituted in lieu thereof (*Effective from passage*):

36 As used in sections 32-220 to 32-234, inclusive:

37 (a) "Business development project" means a project undertaken by
38 an eligible applicant involving one or more of the [activities described
39 in subdivision (1), satisfying one or more of the criteria set forth in
40 subdivision (2) or involving the activities described in subdivision (3),
41 as follows] following:

42 (1) The [project involves (A) the] construction, substantial
43 renovation, improvement or expansion of a facility; [(B) the acquisition
44 of an existing facility that has been idle for at least one year prior to
45 such acquisition, provided if such facility is acquired through a lease,
46 such lease: (i) Shall be for an initial term of not less than five years, and
47 (ii) shall be renewable at the option of the lessee for an additional term

48 of not less than five years, provided the lease may be subject to the
49 option of the lessee to purchase the facility at any time during the lease
50 term or thereafter. The commissioner may waive the one-year idleness
51 requirement upon determination that there is a high likelihood that the
52 facility will remain idle for one year. In making such determination,
53 the commissioner shall consider the marketability of the facility, the
54 general economic condition of the municipality in which the facility is
55 located, the size of the facility, the economic benefit of the proposed
56 acquisition to the municipality and the state, including, but not limited
57 to, the number of employment positions proposed to be established at
58 the facility, and the degree to which the provision of financial
59 assistance under sections 32-220 to 32-234, inclusive, is necessary as an
60 inducement to the eligible applicant to acquire the facility; (C) the]

61 (2) The acquisition of new machinery and equipment; [used directly
62 in the manufacturing of goods or products and acquired through
63 purchase as part of the technological upgrading of the manufacturing
64 process of a facility used in the operation of a manufacturing or
65 economic base business which (i) has been in continuous operation in
66 the state for not less than five years; and (ii) has incurred costs in
67 acquiring such machinery and equipment not less than the greater of
68 two hundred thousand dollars, or two hundred per cent of the average
69 annual expenditure of the manufacturing or economic base business
70 for the acquisition of new machinery and equipment used directly in
71 the manufacturing of goods or products at the facility during the three
72 years prior to the date upon which an application for financial
73 assistance is submitted pursuant to subsection (c) of section 32-223, or
74 (D) the]

75 (3) The acquisition, improvement, demolition, cultivation or
76 disposition of real property, or combinations thereof, or the
77 remediation of contaminated real property; [, used or to be used in
78 connection with the operation of a manufacturing or economic base
79 business, provided, if the eligible applicant is not a municipality or
80 implementing agency, the commissioner has determined that such
81 project would not be undertaken or completed in a timely manner

82 except for the provision of financial assistance pursuant to sections 32-
83 220 to 32-234, inclusive, and that such project promotes the economic
84 stability and growth of the state or any region thereof;]

85 [(2) A project which will: (A) Create] (4) The creation at a facility,
86 within twenty-four months of the initiation of a hiring program, not
87 less than ten new jobs or an increase in the number of persons
88 employed at the facility of twenty per cent, whichever is greater; [(B)
89 promote the]

90 (5) Economic diversification of the economy of an area of the state or
91 manufacturing or other economic base business where such area or
92 business is substantially reliant upon defense and related industry;
93 [(C) assist]

94 (6) Participation in the avoidance of an imminent plant closing or
95 relocation by a manufacturing or other economic base business or
96 assist or improve the economy of an area of the state which has been or
97 is likely to be significantly and adversely impacted by one or more
98 major plant closings or relocations; [(D) support]

99 (7) Support research and development or commercialization of
100 technologies, products, processes or techniques of a manufacturing or
101 other economic base business; [(E) promote]

102 (8) Creation or support of organizations that provide technical and
103 engineering assistance to small manufacturers or other economic base
104 businesses to assist them with the design, testing, manufacture and
105 marketing of new products and the instruction and implementation of
106 new techniques and technologies;

107 (9) Support of substantial workforce development efforts;

108 (10) Promotion of community conservation or development or
109 improvement of the quality of life for urban residents of the state; or
110 [(F) promote]

111 (11) Promotion of the revitalization of underutilized, state-owned

112 former railroad depots and areas adjacent to such depots;

113 [(3) The project involves the creation of an inventors workshop by
114 an eligible applicant, to enable (A) small manufacturing subcontractors
115 which manufacture parts and components exclusively for other
116 companies or (B) current or former manufacturing employees or
117 higher education faculty or researchers, to design, test, manufacture
118 and market new products and manufacturing techniques;]

119 (b) "Business support services" means activities related to a
120 municipal development project or business development project which
121 support the economic competitiveness of manufacturing or economic
122 base businesses or which further the interests of the state, including,
123 but not limited to, facilities and services related to day care, job
124 training, education, transportation, employee housing, energy
125 conservation, pollution control and recycling, provided activities
126 related to employee housing shall be limited to feasibility and
127 implementation studies;

128 (c) "Commissioner" means the Commissioner of Economic and
129 Community Development;

130 (d) "Economic base business" means a business that the
131 commissioner determines will materially contribute to the economy of
132 the state by creating or retaining jobs, exporting products or services
133 beyond the state's boundaries, encouraging innovation in products or
134 services, adding value to products or services or otherwise supporting
135 or enhancing existing activities important to the economy of the state;

136 [(d)] (e) "Economic cluster" means an economic cluster, as defined in
137 section 32-4e, recognized by the commissioner;

138 [(e)] (f) "Department" means the Department of Economic and
139 Community Development;

140 [(f)] (g) "Development plan" means a plan for a municipal
141 development project prepared in accordance with the provisions of
142 subsection (b) of section 32-223, as amended by this act;

143 [(g)] (h) "Eligible applicant" means any for-profit or nonprofit
144 organization, or any combination thereof, [provided, in the case of a
145 defense diversification project, "eligible applicant" means any for-profit
146 or nonprofit organization,] any municipality, regional planning agency
147 or any combination thereof and further provided, in the case of a loan
148 made by the Connecticut Development Authority in which the
149 department purchases a participation interest, "eligible applicant"
150 means the for-profit or nonprofit organization, or any combination
151 thereof, that will receive the proceeds of such loan;

152 [(h) "Facility" means a plant, building or other real property
153 improvement, or part thereof, used or to be used in connection with
154 the operation of a manufacturing or economic base business;]

155 (i) "Financial assistance" means grants, funds for the purchase of
156 insurance policies and payment of deductibles for insurance policies to
157 cover remediation costs, extensions of credit, loans or loan guarantees,
158 participation interests in loans made to eligible applicants by the
159 Connecticut Development Authority or combinations thereof;

160 (j) "For-profit organization" means a for-profit partnership or sole
161 proprietorship or corporation or limited liability company which is [a
162 manufacturing or] an economic base business or has a North American
163 Industrial Classification code of 311111 through 339999 or 493110,
164 493120, 493130, 493190, 511210, 512110, 512120, 512191, 522210, 522293,
165 522294, 522298, 522310, 522320, 522390, 523110, 523120, 523130, 523140,
166 523210, 523910, 524113, 524114, 524126, 524127, 524128, 524130, 524292,
167 541711, 541712, 551111, 551112, 551114, 561422, 611310, 611410, 611420,
168 611430, 611513, 611519, 611710 and 624410 or any business that is part
169 of an economic cluster, or any establishment or auxiliary or operating
170 unit thereof, as defined in the North American Industrial Classification
171 System Manual, which has demonstrated to the satisfaction of the
172 commissioner that it has the qualifications, including financial
173 qualifications, necessary to carry out a business development project;

174 (k) "Implementing agency" means one of the following agencies
175 designated by a municipality under section 32-223, as amended by this

176 act: (1) An economic development commission, redevelopment agency;
177 sewer authority or sewer commission; public works commission; water
178 authority or water commission; port authority or port commission or
179 harbor authority or harbor commission; parking authority or parking
180 commission; (2) a nonprofit development corporation; or (3) any other
181 agency designated and authorized by a municipality to undertake a
182 project and approved by the commissioner;

183 [(l) "Manufacturing or economic base business" means a business
184 classified in accordance with the standard industrial classification
185 system of the Bureau of Census of the United States Department of
186 Commerce as belonging to a major industry group numbered 20 to 39,
187 inclusive; a business engaged in research and development directly
188 related to (1) manufacturing, (2) agriculture, or (3) aquaculture; a
189 business engaged in the creation or development of a vineyard or
190 winery; a business engaged in the significant servicing, overhauling or
191 rebuilding of machinery and equipment for industrial use; any
192 business that is part of an economic cluster; or any establishment or
193 auxiliary or operating unit thereof, as defined in the Standard
194 Industrial Classification Manual, which the commissioner determines
195 will materially contribute to the economy of the state by creating or
196 retaining jobs, exporting products or services beyond the state's
197 boundaries, encouraging innovation in products or services, adding
198 value to products or services, or otherwise supporting or enhancing
199 existing activities that are important to the economy of the state;]

200 [(m)] (l) "Municipal development project" means a business
201 development project through which real property is acquired by a
202 municipality or implementing agency as part of such project;

203 [(n)] (m) "Municipality" means a town, city, consolidated town and
204 city or consolidated town and borough;

205 [(o)] (n) "Nonprofit organization" means a municipality or nonprofit
206 corporation as defined in section 33-1002 and organized under the
207 laws of this state and for purposes of this chapter includes any
208 constituent unit of the state system of higher education;

209 [(p)] (o) "Planning commission" means a planning and zoning
210 commission designated pursuant to section 8-4a or a planning
211 commission created pursuant to section 8-19 of the 2008 supplement to
212 the general statutes;

213 [(q)] (p) "Project" means a municipal development project or
214 business development project;

215 [(r)] (q) "Project area" means the area within which a municipal
216 development project or business development project is located;

217 [(s)] (r) "Real property" means land, buildings and other structures
218 and improvements thereto, subterranean or subsurface right, any and
219 all easements, air rights and franchises of any kind or nature;

220 [(t)] (s) "Site and infrastructure improvements" means
221 improvements to: (1) Sanitary sewer facilities; (2) natural gas pipes,
222 electric, telephone and telecommunications conduits and other
223 facilities and waterlines and water supply facilities, except for any such
224 pipes, wires, conduits, waterlines or any such pipes, wires, conduits,
225 waterlines or facilities which a public service company, as defined in
226 section 16-1 of the 2008 supplement to the general statutes, water
227 company, as defined in section 25-32a, or municipal utility is required
228 to install pursuant to any provision of the general statutes or any
229 special act, regulation or order of the Department of Public Utility
230 Control or a certificate of public convenience and necessity; (3) storm
231 drainage facilities, including facilities to control flooding; (4) site
232 grading, landscaping, environmental improvements, including
233 remediation of contaminated sites, parking facilities, roadways and
234 related appurtenances; (5) railroad spurs; (6) public port or docking
235 facilities; and (7) such other related improvements necessary or
236 appropriate to carry out the project;

237 [(u)] (t) "State" means the state of Connecticut;

238 [(v)] (u) "Targeted investment community" means a municipality
239 which contains an enterprise zone designated pursuant to section 32-

240 70;

241 [(w)] (v) "Total project cost" means costs of any kind or nature
242 relating to the planning, implementation and completion of a
243 municipal or business development project;

244 [(x) "Defense diversification project" means a project undertaken
245 during the period from July 1, 1991, to June 30, 1998, inclusive, by an
246 eligible applicant, as defined in this subsection, involving any of the
247 following: (1) Conversion or preparation for conversion of defense-
248 related production to other types of production; (2) product
249 diversification or capital, organizational or technological
250 modernization by an eligible applicant engaged in defense-related
251 production; (3) product diversification or conversion of business
252 service activity for application or use in other than defense-related
253 business by any subcontractor engaged in defense-related production
254 or business service activity; (4) conversion by an eligible applicant of
255 real property used in its entirety, or in part, for defense-related activity
256 to a use primarily for other than defense-related activity, including use
257 as a site related to the export of Connecticut products from the state for
258 purposes of encouraging such exportation; (5) product diversification
259 or conversion of business service activity by an eligible applicant
260 engaged in production or business service activity which is not
261 defense-related in a region of the state determined by the
262 commissioner to be significantly impacted by the loss, or potential loss,
263 of defense-related production or business service activity, including
264 acquisition or development, or both, of real property by such applicant
265 for purposes of such diversification or conversion; and (6) the creation
266 or expansion of production, business service, research or research-
267 related activities by an eligible applicant that will significantly increase
268 employment opportunities for former employees of a contractor or
269 subcontractor engaged in defense-related production. For purposes of
270 any defense diversification project, as defined in this subsection, (A)
271 "regional defense diversification plan" means a plan prepared or
272 supported by an eligible applicant for purposes of (i) promoting or
273 advocating defense diversification projects or (ii) supporting the

274 retention of naval operations as an interim strategy for economic
275 stability within a region seeking diversification, (B) "eligible applicant"
276 means any for-profit or nonprofit organization, municipality, regional
277 planning agency or any combination thereof and (C) "business service
278 activity" means the rendering of any type of service to a business
279 organization for consideration;]

280 [(y)] (w) "Legislative body" means (1) the board of selectmen in a
281 town that does not have a charter, special act or home rule ordinance
282 relating to its government, or (2) the council, board of aldermen,
283 representative town meeting, board of selectmen or other elected
284 legislative body described in a charter, special act or home rule
285 ordinance relating to its government in a city, consolidated town and
286 city, consolidated town and borough or a town having a charter,
287 special act, consolidation ordinance or home rule ordinance relating to
288 its government.

289 Sec. 3. Section 32-223 of the general statutes is repealed and the
290 following is substituted in lieu thereof (*Effective from passage*):

291 (a) An eligible applicant shall submit an application for financial
292 assistance to the commissioner on forms provided by the
293 commissioner and with such information the commissioner deems
294 necessary, including, but not limited to: (1) A description of the
295 proposed project; (2) an explanation of the expected benefits of the
296 project in relation to the purposes of sections 32-220 to 32-234,
297 inclusive; (3) information concerning the financial and technical
298 capacity of the eligible applicant to undertake the proposed project; (4)
299 a project budget, and (5) identification, when appropriate, of business
300 support services that may be of benefit to the state and the
301 manufacturing and economic base businesses located or locating in the
302 project area as part of the project. In the case of a municipal
303 development project the eligible applicant shall, in addition to an
304 application for financial assistance, submit a development plan
305 prepared pursuant to subsection (b) of section 32-224 of the 2008
306 supplement to the general statutes and approved by the commissioner,

307 provided an eligible applicant may, prior to the submission of a
308 development plan, receive financial assistance for activities related to
309 the planning of a municipal development project to the extent such
310 assistance is provided for under subsection (b) of this section.

311 (b) Applications properly submitted shall be reviewed and may be
312 approved, disapproved or modified by the commissioner. In reviewing
313 an application and determining the type and amount of financial
314 assistance, if any, to be provided, the commissioner shall consider the
315 following criteria: (1) The availability of funds; (2) the relative
316 economic condition of the municipality; (3) the relative need of the
317 eligible applicant or project for financial assistance; (4) the degree to
318 which financial assistance is necessary as an inducement to the eligible
319 applicant to undertake the project or to the manufacturing or economic
320 base business to locate or undertake the project in the state; (5) the
321 relative economic benefit of the project to the state, including, but not
322 limited to: (A) The extent to which the project will likely result in the
323 retention and creation of jobs, the retention, expansion or relocation of
324 manufacturing or economic base businesses in the state or the
325 diversification of such businesses, or (B) the extent to which the project
326 will increase competitiveness of such businesses, respond to potential
327 or actual dislocation as a result of major plant closings or relocations
328 and address the business service needs of such businesses and the
329 state; and (6) such other criteria as the commissioner may establish
330 consistent with the purposes of sections 32-220 to 32-234, inclusive. The
331 commissioner shall not deny an application for financial assistance for
332 a project solely because the project site does not have sewer service or
333 access to sewer service.

334 (c) No financial assistance shall be given to an eligible applicant and
335 no participation interest in a loan made by the Connecticut
336 Development Authority for the benefit of an eligible applicant shall be
337 purchased by the department until the commissioner has approved the
338 application submitted in accordance with subsection (a) of this section.
339 Notwithstanding any other provision of this section, in the event that
340 the financial assistance requested is the purchase by the department of

341 a participation interest in a loan made by the Connecticut
342 Development Authority, such authority may submit such application
343 and other information as is required of eligible applicants under
344 subsection (a) of this section on behalf of such eligible applicant and no
345 further application shall be required of such eligible applicant. No
346 financial assistance shall exceed: (1) Except as otherwise provided in
347 subdivisions (2) to (5), inclusive, of this subsection, fifty per cent of the
348 total project cost, (2) in the case of financial assistance to any project in
349 a targeted investment community, ninety per cent of the project cost,
350 (3) when two or more municipalities which are not targeted
351 investment communities jointly initiate a municipal development
352 project in accordance with the provisions of subsection (e) of section
353 32-224 of the 2008 supplement to the general statutes, seventy-five per
354 cent of the total project cost, (4) in the case of a municipal development
355 project jointly initiated by two or more municipalities at least one of
356 which is a targeted investment community, the sum of: (A) Seventy-
357 five per cent of the portion of the total project cost allocable to the
358 participation of the municipality or municipalities which are not
359 targeted investment communities, and (B) ninety per cent of the
360 portion of the total project cost allocable to the participation of any
361 targeted investment community or communities, and (5) in the case of
362 a defense diversification project, ninety per cent of the total project cost
363 if the project involves a municipal development project or the
364 acquisition or development, or both, of real property for an
365 unspecified occupant, and one hundred per cent in the case of any
366 other defense diversification project. A municipality's share of the total
367 project cost, if any, may, with the approval of the commissioner, be
368 satisfied entirely or partially from noncash contributions, including
369 contributions of real property, from private sources, or, to the extent
370 permitted by federal law, from moneys received by the municipality
371 under any federal grant program.

372 (d) Financial assistance, whether provided directly to eligible
373 applicants or indirectly in the form of the department's purchase of a
374 participation interest in a loan made by the Connecticut Development
375 Authority under sections 32-220 to 32-234, inclusive, may be used for

376 (1) the planning of a municipal development project or business
377 development project, including, but not limited to, the reasonable cost
378 of feasibility studies, engineering, appraisals, market studies and
379 related activities; (2) the acquisition of real property, machinery or
380 equipment, or any combination thereof, provided such financial
381 assistance shall not exceed fair market value; (3) the construction of
382 site and infrastructure improvements relating to a municipal
383 development or business development project; (4) the construction,
384 renovation and demolition of buildings; (5) relocation expenses for the
385 purpose of assisting [a manufacturing or other economic base
386 business] an eligible applicant to locate, construct, renovate or acquire
387 a facility; or (6) such other reasonable expenses necessary or
388 appropriate for the initiation, implementation and completion of the
389 project, including, but not limited to: (A) Administrative expenses of
390 the eligible applicant; and (B) business support services in conjunction
391 with another state agency when such agency does not provide
392 adequate funds for such services or when no other state agency
393 provides such services. The department may purchase participation
394 interests in loans made by the Connecticut Development Authority for
395 the foregoing purposes. All relocation assistance provided under
396 sections 32-220 to 32-234, inclusive, to persons residing in the project
397 area shall be in conformance with chapter 135.

398 (e) The commissioner may establish the terms and conditions of any
399 financial assistance provided under sections 32-220 to 32-234, inclusive,
400 except that the interest rate on any loans shall be determined by the
401 State Bond Commission in accordance with subsection (t) of section 3-
402 20. The commissioner may make any stipulation in connection with an
403 offer of financial assistance he deems necessary to implement the
404 policies and purposes of sections 32-220 to 32-234, inclusive, including,
405 but not limited to the following: (1) The provision of assurances that
406 the eligible applicant will discharge its obligations in connection with
407 the project, and (2) a requirement that the eligible applicant provide
408 the department with appropriate security for such financial assistance,
409 including, but not limited to, a letter of credit, a lien on real property or
410 a security interest in goods, equipment, inventory or other property of

411 any kind.

412 [(f) During the fiscal year ending June 30, 1993, the commissioner
413 shall prepare a request for proposals soliciting applications for
414 business development projects described in subdivision (3) of
415 subsection (a) of section 32-222 and shall provide financial assistance to
416 at least one eligible applicant for such a project.]

417 Sec. 4. Section 31-362g of the general statutes is repealed and the
418 following is substituted in lieu thereof (*Effective from passage*):

419 (a) As used in this section, "defense contract" includes any contract
420 for the production or manufacture of weapons or other defense
421 equipment to be used by the military or naval forces of this state or the
422 United States, "defense contractor" means any contractor,
423 subcontractor, manufacturer or service company which is a party to a
424 defense contract and has agreed to produce or manufacture weapons
425 or defense equipment under such contract and "value" means gross
426 value.

427 (b) Each defense contractor which (1) performs one or more defense
428 contracts in this state, the combined value of which exceeds one
429 million dollars in any one year, and (2) after October 1, 1994, is the
430 recipient of state assistance [provided pursuant to section 32-222a] or
431 other funds from the Department of Economic and Community
432 Development shall establish an alternative use committee. The
433 committee shall consist of representatives of employees and
434 employers. The employees of such contractor who are represented by a
435 collective bargaining organization shall be represented on such
436 committee by a representative of such organization. The employees of
437 such contractor who are not represented by a collective bargaining
438 organization shall designate a person to serve as their representative.
439 The committee may invite representatives of the community to
440 participate in committee meetings. The committee shall prepare a plan
441 to reduce or eliminate the dependence of the contractor on defense
442 contracts. The plan shall include: (A) Alternative products that are
443 feasible to produce and marketable; and (B) retraining resources

444 needed to produce such products in order to avoid dislocation of the
 445 current workforce. The Labor Commissioner shall adopt regulations
 446 pursuant to chapter 54 to administer the establishment and
 447 composition of alternate use committees and the committee's duty to
 448 establish plans pursuant to this subsection.

449 Sec. 5. (*Effective from passage*) Sections 32-4a and 32-222a of the
 450 general statutes are repealed.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	32-221
Sec. 2	<i>from passage</i>	32-222
Sec. 3	<i>from passage</i>	32-223
Sec. 4	<i>from passage</i>	31-362g
Sec. 5	<i>from passage</i>	Repealer section

CE Joint Favorable Subst.

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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$
Treasurer, Debt Serv.	GF - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

To the degree that limited liability companies would receive General Obligation (GO) bonds, authorized under the Manufacturing Assistance Act (MAA), funds would be expended more rapidly than they otherwise would have been. This change will increase debt service costs in future years.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 390*****AN ACT CONCERNING TECHNICAL CHANGES TO ECONOMIC DEVELOPMENT STATUTES.*****SUMMARY:**

This bill makes mostly technical changes to the Manufacturing Assistance Act's (MAA) statutes. MAA is a broad, multipurpose program that provides different types of financing for a wide range of economic development projects. It is administered by the Department of Economic and Community Development (DECD).

The bill makes limited liability companies eligible for MAA funding and aligns the criteria for selecting projects with the criteria for determining how project sponsors can use the MAA funds. It also eliminates obsolete statutes and makes many conforming technical changes.

The bill eliminates the state's authority to provide financial assistance, staff support, or other in-kind contributions to the nonprofit Connecticut Economic Resource Center (CERC). Under current law, the state may do this within available appropriations through DECD or any other state agency, government entity, or the private sector. CERC conducts economic research for local, regional, and state economic development entities. It is mostly funded by the utilities.

EFFECTIVE DATE: Upon passage

ELIGIBLE BUSINESSES

By law, a business qualifies for MAA funding based on its organizational form and purpose. The bill makes limited liability companies eligible for MAA funds. Currently, partnerships, sole

proprietorships, and corporations qualify for these funds.

The bill consolidates the criteria for determining the types of businesses that qualify for MAA funding. It does this by listing several types of businesses that currently qualify for funding if they are “economic base businesses.” A business meets this criterion if the DECD commissioner determines that it contributes to the economy by:

1. creating or retaining jobs,
2. exporting products or services outside the state,
3. encouraging innovative products and services,
4. adding value to them, or
5. supporting or enhancing existing activities important to the state’s economy.

The bill identifies the business types based on the North American Industrial Classification System (NAICS), which groups businesses according to types based on the processes they use to make goods or deliver services. By listing eligible businesses based on NAICS groupings, the bill qualifies them for MAA funding regardless of whether they are economic base businesses. The types the bill lists include telemarketing, child care, and educational services.

PROJECT ELIGIBILITY

Consolidation and Reorganization

The bill consolidates and reorganizes the criteria DECD uses to determine if a project qualifies for MAA funding. By law, a project qualifies for funding if it meets at least one of 10 criteria, which can be roughly divided into two categories. Some criteria describe the tasks that must be completed to develop property, such as acquiring land and constructing buildings. Others describe a desired economic outcome, such as creating new jobs or diversifying a region’s economy.

Reduced and Eliminated Criteria

The bill reduces two criteria for determining project eligibility based on the proposed development activity. Under current law, a project qualifies for MAA funds if the applicant proposes to purchase or lease an existing facility that has been idle for at least one year, unless the commissioner waives this requirement. Leases for these facilities must have a minimum five-year term, with an option to renew the lease or purchase the facility. The bill eliminates the idleness requirement, thus making it easier for projects involving leased facilities to qualify for MAA funding.

It similarly eliminates some of the criteria for qualifying projects involving new machinery and equipment purchases. Currently, these projects qualify only if the machinery and equipment will be used for manufacturing and is purchasing as part of a technological upgrade. The business acquiring the machinery must have operated in the state for at least five years and pay (1) at least \$200,000 or (2) 200% of its average annual machinery and equipment expenditure over the past three years at the facility where the new machinery and equipment will be used, whichever is greater.

The bill eliminates the conditions under which machinery and equipment purchases qualify for MAA funding. Consequently, projects involving machinery and equipment purchased or leased for any purpose qualify for funding, regardless of the cost or how long the business has operated in the state.

Lastly, the bill eliminates a criterion that applies when a business proposes to acquire, improve, demolish, cultivate, or dispose of real property. Under current law, the business must show that it cannot undertake or complete these activities without MAA funds. The bill eliminates this criterion.

By law, the property and machinery and equipment purchase criteria determine whether a project qualifies for funds, not how the funds may be used. A project that meets neither criterion may qualify under other criteria. If it does, it may use MAA funds for a wide range of activities, including leasing or acquiring facilities and purchasing

office equipment (CGS § 32-223 (d)).

New Project Eligibility Criteria

The bill permits DECD to use MAA funds to create and support organizations providing technical and engineering assistance to small manufacturers and other economic base businesses. The assistance may include help in designing, testing, manufacturing, and marketing new products and adopting and implementing new techniques and technology. MAA funds can also be used to support substantial workforce development efforts.

OBSOLETE STATUTES

The bill repeals several obsolete MAA statutes. It repeals the statutes authorizing MAA funding for defense diversification projects and establishing a DECD office to develop and support these projects. The authorization for these activities expired June 30, 1996.

The bill also repeals the statutes authorizing funding for inventors' workshops. The authorization to request proposals for these workshops was limited to FY 93.

BACKGROUND

Industrial Classification Systems

SIC and NAICS are systems for classifying businesses. SIC was developed during the 1930s. It initially consisted of separate codes for manufacturers and other types of businesses. It was periodically revised to reflect changes in the way goods are made and services delivered. But despite the revisions, users and analysts criticized SIC as outmoded and out of sync with the economy.

The North American Free Trade Agreement with Canada and Mexico underscored the need to develop a classification system that reflected the broader North American market. NAISC was developed in cooperation with these nations. It groups businesses that use the same or similar processes to make goods or deliver services. In doing so, NAICS recognizes the greater role service businesses play in the

economy.

For example, SIC was divided into 10 divisions, five of which were service related. NAICS, on the other hand, has 20 sectors, 16 of which are service related (U.S. Census Bureau, *Development of NAICS*).

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 22 Nay 0 (03/18/2008)