

**Testimony Regarding**  
**S.B. No. 249, An Act Concerning The Film Production Tax Credit**  
Testimony of Dr. Douglas Hall  
To the Commerce Committee  
March 3, 2009

Senator LeBeau, Representative Berger, and distinguished Members of the Commerce Committee,

We submitted testimony in support of SB 249 at the public hearing of this Committee on March 3<sup>rd</sup> ([http://www.ctkidslink.org/testimony/021009\\_com\\_sb249\\_filmtax.pdf](http://www.ctkidslink.org/testimony/021009_com_sb249_filmtax.pdf)). At that time we expressed support for the two primary provisions of the bill. The first provision attempted to ensure that firms receiving the film production tax credits “conduct at least fifty-percent of the total production in studios located in Connecticut,” while the second proposed “plac[ing] a cap on the total annual amount of film production tax credits available.”

Today’s Committee Bill no longer contains a provision capping the amount of the film production tax credit. We strongly urge this Committee to revisit this issue, and we urge this Committee to restrict use of the film production tax credit to its original recipient. Allowing the transfer of credits moves beyond the original intent of this legislation, and provides unintended support for corporations in often unrelated sectors of the economy.

Attached to my testimony today is a copy of a report on Connecticut’s film tax credits, prepared by the Federal Reserve Bank of Boston’s New England Public Policy Center.

This report finds in part that:

- The credit does not “pay for itself.”
- The economic benefits generated by the credit are likely to be short-lived.
- [A] rough comparison of evidence across studies [shows] that the film tax credit may be less cost-effective than certain other business tax incentives offered by the state such as the research and experimental expenditures credit.
- Connecticut faces a lot of competition for film production activity. Connecticut’s film tax credit is generous—30 percent of in-state production expenses—but the state faces serious competition. About 40 U.S. states currently offer significant incentives to the film industry. With the potential for a “race to the bottom,” it may be difficult for the state to establish a sustainable film industry with sustainable employment opportunities for Connecticut residents.<sup>1</sup>

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<sup>1</sup> Memorandum to Ellen Scalettar, Director of Policy, Research and Legislation for the Connecticut Senate Democrats, from Jennifer Weiner, Policy Analyst, (Federal Reserve Bank of Boston, New England Public Policy Center, January 2009).

*This memorandum is preliminary in nature and subject to revision and review. Any views expressed are not necessarily those of the Federal Reserve Bank of Boston or of the Federal Reserve System.*

To: Ellen Scalettar, Director of Policy, Research & Legislation for the Connecticut Senate  
Democrats  
From: Jennifer Weiner, Policy Analyst  
Date: January 19, 2009  
Re: Cost-benefit analysis of Connecticut's film tax credit

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You expressed interest in a cost-benefit analysis of Connecticut's tax expenditures, with a particular emphasis on corporate tax credits and other business benefits. This memorandum focuses on one of Connecticut's most prominent corporate tax credits, the film and digital media production credit ("film tax credit" or "film credit").<sup>1</sup>

### Major points

- The state is devoting considerable public resources to the film tax credit. According to the state's 2008 tax expenditure report, the estimated cost of the film tax credit for fiscal year 2009 (FY 2009) will be \$90 million—higher than estimates for any other corporate tax expenditure for this fiscal year including tax credits for fixed capital investment (\$60 million), research and experimentation (\$10 million), and general job creation (\$10 million).
- The economic benefits of the film tax credit extend beyond the film industry, but are offset to some degree by reductions in government spending necessary to keep the state's budget balanced. As film production companies spend money in Connecticut new dollars are injected into the state's economy leading to increased income for individuals and businesses. These individuals and businesses will, in turn, spend some of this additional income in Connecticut, re-injecting dollars into the state economy and starting another round of what is known as the "multiplier" or "ripple" effect. Government spending also has positive multiplier effects. Because of this, any reductions in government spending necessary to maintain a balanced budget will offset some of the credit's economic benefits.
- The credit does not "pay for itself." Increases in economic activity spurred by the film credit generate some additional tax revenue for the state from a variety of tax sources. This additional revenue is likely to offset some, but not all, of the initial cost of the credit. Increased economic activity may also reduce government spending if it results in less need for government services. A study undertaken by Connecticut's Department of Economic and Community Development (DECD) estimated that in 2007 each initial dollar of film tax credit granted by the state was offset by about seven cents in new tax revenue and by about thirteen cents in

2009 budget appropriation for the DECD, the state's lead agency for attracting and retaining businesses and jobs.<sup>3</sup> These numbers certainly suggest that Connecticut has made attracting the film industry to the state an important priority.

This memorandum seeks to accomplish the following:

- To describe the film credit and the competitive landscape in which it is offered;
- To discuss the various considerations that should be made when assessing the benefits and costs of the film credit; and
- To analyze the findings of a recent DECD evaluation of the film credit in light of these considerations.

### **Connecticut's film tax credit**

The Connecticut film tax credit, first enacted in 2006, is one of the most generous film incentives in the nation. In its current form, the credit equals 30 percent of qualified production expenses incurred in Connecticut by an eligible production company for a qualified production.<sup>4</sup> Total qualified production expenditures must exceed \$50,000 in order for the production to be eligible. Certain types of productions are ineligible (e.g. live programming, news, weather or financial market reports, productions used for corporate training, etc.), as are certain types of expenses (e.g. compensation paid to any individual in excess of \$15 million). There are no caps on the amount of film credits—either per-production or in aggregate—that may be granted in a given year.

The film credit can be applied to a production company's state corporate business tax or insurance premium tax liability.<sup>5</sup> The credit is non-refundable, meaning that a production company cannot receive cash back from the state for any portion of a credit that cannot be taken against an existing tax liability. If a production company's tax credit tends to exceed the taxes it owes to Connecticut in a given year it can carry the unused credits forward for up to three years or it can "transfer" or sell its unused credits to other taxpayers. Because of this feature, the initial cost of the film credit exceeds the lost taxes that production companies would have paid themselves. The purchasers of the credits, who would have been paying additional state taxes to Connecticut, are instead making payments to film companies directly. Thus, transferable credits more closely resemble direct appropriations as compared with credits that are not transferable.

In 2007 the state added separate tax credits for film infrastructure investment and digital animation production activity. The infrastructure credit is a transferable credit against the corporate business or insurance premium tax for investments in capital projects such as buildings, facilities, or installations that the film and digital media industry requires to function in Connecticut. The amount of the credit ranges from 10 percent of investment for projects costing between \$15,000 and \$150,000 to up to 20 percent of investment for projects costing over \$1 million. These credits may also be carried forward for three years.

The digital animation credit is a transferable credit equal to 30 percent of digital animation expenses. As with the original film credit, a production must have expenses in excess of \$50,000 in order to qualify, but eligibility requirements for the digital animation production company are stricter. For example, a company must maintain a studio in Connecticut and employ at least 200 full-time

Other potential benefits of film tax credits—such as the effects of increased publicity for the state—may be difficult to quantify. A 2008 study of Massachusetts’ film tax credit acknowledged the challenges associated with measuring the impacts of increased publicity: “We are not aware of any economic model that can project such impacts, which depend on several variables, including how many people view the films made in Massachusetts, the demographics of the audience, whether particular motion pictures are set in Massachusetts and include recognizable Commonwealth scenery, and whether the films portray the state in a positive, negative, or neutral light.”<sup>8</sup> Any evaluation of Connecticut’s film tax credit that attempts to measure the economic impact of additional publicity for the state stemming from filming would also need to take these issues into consideration.

It is also important to consider the impact of Connecticut’s balanced budget requirement on the benefits of a film tax credit. Under a balanced budget scenario, the state government will have to either cut spending or increase other taxes to offset the loss in tax revenues attributable to the credit. These actions are likely to have negative multiplier effects that offset the economic benefits of the credit. Government expenditures, like private, generate income which leads to subsequent rounds of spending by individuals and businesses. When a state government cuts its expenditures, such as by eliminating state jobs or reducing purchases, the negative impact on the economy will likely exceed the amount of the initial reduction in government spending because these additional rounds of economic activity will also be curtailed. Tax increases can also have negative multiplier effects by reducing disposable personal income which otherwise would be available to cycle through the economy.

Choosing an appropriate metric for the benefits of a film tax credit is another key concern. The number of productions occurring in-state following the enactment of a tax credit or the combined gross budgets of those productions, while perhaps straightforward to measure, do not necessarily reflect the credit’s aggregate impact on the state economy. The benefits of film tax credits are perhaps better captured by changes in broader measures of economic activity that result from new film activity, such as state output, gross domestic product (GDP), personal income, or total employment. Employment, in particular, is a common metric used in evaluations of tax credits, perhaps because job creation is a widely-embraced goal of economic development. While the focus tends to be on the number of jobs created, the quality of those jobs—including whether they are short-term or permanent—is also important.

While much of the discussion thus far has focused on the measurement of benefits, care must also be taken on the cost side. It is overly simplistic to consider only the foregone revenue captured by tax expenditure estimates when measuring a credit’s cost. While the estimated \$90 million tax expenditure projected for Connecticut’s film credit in FY 2009 does, in some sense, represent the state’s commitment to fostering the film industry, it is a static measure, meaning that it does not take into account the fiscal implications of changes in economic activity spawned by the credit. For example, the static revenue loss is not adjusted for increased income tax revenues the state will receive if new jobs are created or additional sales tax revenues generated by successive rounds of spending spurred by the multiplier effect. These new revenues would offset the static revenue loss by some amount.

Ideally, estimates of the net cost of a film tax credit would also account for changes in public spending resulting from the credit, though it is not possible to predict the net direction of such changes. Increased economic activity in the state could, for example, lead to fewer Medicaid enrollees and

expenditures *were* included, with the rationale being that although these payments were not eligible for the tax credit, they do still exert a positive effect on the Connecticut economy and—based on the authors’ assumptions—would not have taken place in absence of the credit.

After making these adjustments, the film credit was assumed to inject about \$43 million in new spending into the Connecticut economy, including items for materials, salaries and benefits (except as excluded above), and travel and living expenses—essentially “below-the-line” expenditures. The authors used information from the tax credit applications to apportion these expenditures to the various sectors of the Connecticut economy (e.g. wholesale, retail, specialized manufacturing, lodging, etc.) for input into the REMI model. The authors did not try to capture the economic effects of increased publicity to the state, though they noted that there could be economic benefits from increased tourism. In light of Connecticut’s balanced budget requirement, the authors assumed that the \$16.5 million in tax credits would be exactly offset by a \$16.5 million reduction in state government spending.

The DECD authors reported the following outcomes for 2007 and each of the subsequent five years: state GDP, state disposable personal income, employment, state government revenues and spending, and population. All outcomes were measured as estimated changes from baseline, so as to capture the incremental effects of the credit. The authors assumed no additional tax credits were granted after 2007; thus projections for 2008 and beyond were meant to isolate the longer-term effects of the original credits granted.

### DECD findings and their implications

On the benefits side, the REMI model estimated that the film credit resulted in \$20.7 million in new state GDP in 2007, \$6.6 million in new disposable personal income and 395 new FTE positions. The model also projected that these outcomes would dissipate rapidly over the next five years. It is important to note that this dissipation occurs because the DECD chose to model the impact of the credits through a one-time injection into the state economy. If the state continues to attract film production activity—which has indeed been the case in the time since the study period ended—we would expect the outcome levels projected by the DECD to be sustained or to grow.

On the cost side, the model estimated that the \$16.5 million static revenue loss associated with the credit would be offset by \$1.1 million in new state government revenues in 2007 stemming from the expansion in economic activity. The model also estimated that state government expenditures would fall in 2007 by \$2.2 million beyond the original \$16.5 million reduction. The authors inferred that this reduction is the result of a reduced need for programs such as Medicaid, unemployment insurance, and retirement benefits in the face of increased employment. Combining the static revenue loss of \$16.5 million with both the incremental increase in revenues and the incremental decrease in state government spending suggests a net program cost of \$13.2 million for 2007. In other words, each dollar of film tax credit granted cost the state roughly \$0.80 on net.

Taken together, the DECD’s results imply that, for 2007, each net dollar spent on the film credit yields \$1.57 in new state GDP and 50 cents in new disposable personal income. The net cost per FTE job was around \$33,500.

In their report the DECD authors conclude that while the film tax credit does not “pay for itself”—meaning that there is still a net revenue loss—it does increase economy-wide activity (e.g. state GDP) by a greater amount than the cost of implementation. But is this the appropriate standard by which to judge the film credit’s cost-effectiveness? One potential drawback of using state GDP in assessing cost-effectiveness is that some of the economic benefits associated with the increase in output may not accrue to state residents, but instead to non-resident owners or workers. Personal income may be a more appropriate measure for gauging benefits to Connecticut residents because it takes into account where income recipients live rather than where the income was generated. The DECD authors found that disposable personal income increased by only about half of the net cost of the credit.

As mentioned above, job creation is often touted as a key goal of economic development efforts, and hence is commonly used in cost-effectiveness measures.<sup>17</sup> While there is no set standard for an acceptable cost per job created, the federal government has established guidelines for some of its programs. For example, regulations for the Community Development Block Grant (CDBG) program administered by the Department of Housing and Urban Development (HUD) set a cap of \$35,000 per permanent FTE job created or retained.<sup>18</sup> At first glance, the \$33,500 calculated from the DECD study would appear to fall within this threshold. However, note that the HUD regulations call for the creation (or retention) of *permanent* jobs. In the DECD analysis, the REMI model projects that with no additional tax credits employment will fall back to baseline levels after an initial spike in the first year. This is not surprising given the short term nature of many film productions—the opportunities for work created by one production can disappear if there is not another production to take its place.<sup>19</sup> If additional tax credits are necessary to sustain film production activity and its related employment, the cost per permanent FTE is likely to exceed \$35,000.

As noted, another standard by which any film tax credit can and should be judged is how it compares to other measures designed to foster economic development. While the DECD study does not analyze the economic or fiscal impact of alternative programs or policies, findings from a 2005 study by researchers from the Connecticut Center for Economic Analysis (CCEA) at the University of Connecticut may serve as rough comparison.<sup>20</sup>

Employing a variety of assumptions, the CCEA authors used the REMI model to project employment changes and net costs associated with 27 different tax programs enacted in Connecticut since the early 1990s, including corporate tax rate reductions, tax exemptions, and credits. Of the 27 programs examined there were eight projected to lead to private sector employment gains of at least 50 FTE jobs in 2007.<sup>21</sup> Among these eight, the net cost per private sector FTE job ranged from under \$6,000 for the research and experimental expenditures credit to nearly \$190,000 for the sales tax exemption on data processing services (See Table 4).<sup>22</sup> If changes to public sector employment are also taken into account, only two of these eight programs show positive net employment gains—the research and experimental expenditures credit (1,029 net FTE jobs at a net cost per job of \$6,078) and the corporate tax rate reduction (4,700 net FTE jobs at a net cost per job of \$29,339).<sup>23</sup>

While the findings from the CCEA study are interesting and can serve as source of rough comparison, we recommend caution in using them to judge the relative cost effectiveness of the film tax credit. There are a variety factors that may limit the suitability of a direct comparison of the results. For example, the evaluations were carried out at different points in time, both in terms of calendar years and in the relative maturity of the programs being assessed. Updates to the REMI model occurring between 2005—when the CCEA study was released—and 2008—when the DECD issued its study—

A 2008 study by the Connecticut DECD estimated the benefits and costs associated with \$16.5 million in film tax credits granted during the credit's first year of existence. The DECD authors estimated that these credits were responsible for almost 400 new FTE jobs in 2007, at a net cost per job of \$33,500—a value in the range of estimates obtained for film tax credits in other states. Although data are not available to draw definitive conclusions about the film tax credit's relative cost effectiveness vis-à-vis alternative policies for economic development, a comparison with findings from a 2005 study by the CCEA suggests that the film credit is likely to be more cost effective than some tax incentives the state currently offers, but less cost effective than others.

It worth noting that the recent DECD study is already somewhat outdated; the incentives offered to the film industry in Connecticut have been expanded and refined since the study period captured by the DECD, and the magnitude of credits claimed has increased substantially. The competitive landscape has also changed. For example, other states such as New York and Michigan have increased the generosity of their credits. With states engaged in a potential “race to the bottom”, film productions that previously would have gone to Connecticut may choose to go elsewhere, making it difficult for the state to establish a sustainable industry.

Will Connecticut's new film infrastructure credit help to combat this? As film credits become ubiquitous, it may be that only states early to offer incentives—such as Louisiana or New Mexico—will be successful in building a permanent industry, or it could be that those places that have traditionally fostered the film industry will reign. An assessment of New York's film production industry took the latter view, concluding, “Overall, there is a danger that [film] incentives will be too much of a good thing. With so many players in the game, the more they spread out the available action in a few product segments, the less the chance that anyone will build a sustainable industry—unless they already have one, like Los Angeles, or Canada, or New York.”<sup>25</sup> On the other hand, plans for a film studio in Plymouth, Massachusetts are moving forward despite the fact that legislation designed to grant state-level tax credits for such construction failed to make it through the state senate.<sup>26</sup> This highlights the fact that state-sponsored tax breaks are not always the only factor influencing the decisions of film industry executives.

In the current period of economic stress, policy makers may be inclined to turn to tax incentives such as film tax credits as a means for creating jobs and spurring investment. Yet the fiscal difficulties that Connecticut is facing heighten the need for careful examination of the costs and benefits of these programs. State policy makers should take into account the various issues detailed in this memo when deciding what level of support to offer the film industry going forward. An updated cost-benefit analysis—especially one that examines the relative cost effectiveness of alternative economic development policies using consistent and well-documented methodologies and a range of assumptions—could be especially useful in informing such decisions.

be overstated in this analysis.” One would expect estimates of FTEs to *understate* the number of persons employed, as multiple individual part-time workers can comprise one FTE.

<sup>17</sup> Though the employment could suffer from the same drawbacks as state GDP in measuring the benefits of tax credits for a cost effectiveness evaluation if many of the newly created jobs are filled by non-resident workers.

<sup>18</sup> 24 CFR 570.209, Subpart B.

<sup>19</sup> The short term nature of film production employment was acknowledged in the Louisiana study (see endnote 16, above) as well as in a descriptive analysis by the Massachusetts DOR which found that the average duration for a job created by production companies taking advantage of the Commonwealth’s film tax credit was 3.2 months and the weighted average duration was 1.4 months if larger productions are given greater weight. See Massachusetts Department of Revenue. March 2008. “A Report on the Massachusetts Film Industry Tax Incentives.” Boston, MA.

<sup>20</sup> William F. Lott and Stan McMillen. December 2005. “The Economic Impact of Connecticut’s Corporate Tax Policy Changes: 1995-2012.” Storrs, CT: Connecticut Center for Economic Analysis, University of Connecticut.

<sup>21</sup> The CCEA study reports employment estimates in “job-years” which we take to be equivalent to FTEs.

<sup>22</sup> CCEA reported net costs in 2001 dollars. Here, costs have been converted to 2007 dollars using the CPI-U.

<sup>23</sup> These also represent one year net costs per net job and thus also cannot be directly compared to the HUD \$35,000/job threshold.

<sup>24</sup> The Massachusetts DOR study assumed that 7.5 percent of film production would have occurred but-for the film tax credit and that ten percent of above-the-line earnings would stay in the state economy. An analysis of the economic impact of a film production in the city of Chicago assumed that only 90 percent of below-the-line spending would stay in the local economy. See Arthur Andersen LLP. September 1997. “Economic Impact Study for the Chicago Film, Television & Commercial Economic Development Coalition.” Chicago, IL. While these particular assumptions may not be as appropriate for an analysis of Connecticut’s film tax credit, they can be used to illustrate the potential sensitivity of the DECD findings.

<sup>25</sup> Susan M. Christopherson, Maria C. Figueroa, Lois Spier Gray, James Parrott, Damone Richardson, and Ned Rightor. August 2006. “New York’s Big Picture: Assessing New York’s Position in Film, Television and Commercial Production.” A Report to the New York Film, Television and Commercial Initiative. Ithaca, NY: Cornell University and the Fiscal Policy Institute.

<sup>26</sup> The legislation in question, House Bill 4784, did pass in the Massachusetts House of Representatives, but was not taken up by the state senate by the close of the 2008 legislative session.

Table 2: Top 15 tax expenditure estimates for Connecticut:  
Fiscal year 2009

Rank	Provision	Provision type	Applicable tax	Estimated tax expenditure (\$ millions)	Share of total
1	Fuel distributors	Exemption	Motor fuels/motor carrier	750.0	15.0
2	Sales to non-profit organizations	Exemption	Sales and use	700.0	14.0
3	Food products for human consumption	Exemption	Sales and use	373.0	7.5
4	Property taxes paid	Credit	Personal income	350.0	7.0
4	Motor vehicle fuel	Exemption	Sales and use	350.0	7.0
6	Rx medications, syringes, & needles	Exemption	Sales and use	250.0	5.0
7	#2 heating oil used for heating purposes	Exemption	Petroleum companies	180.0	3.6
8	Fuel for heating purposes	Exemption	Sales and use	140.0	2.8
9	Clothing under \$50	Exemption	Sales and use	130.0	2.6
10	Fuel exported out of state	Exemption	Motor fuels/motor carrier	120.0	2.4
11	Machinery used in manufacturing	Exemption	Sales and use	100.0	2.0
12	Film and digital media production	Credit	Corporate business	90.0	1.8
13	Sales for resale	Deduction	Public service companies	75.0	1.5
14	Net capital loss carry-over	Deduction	Corporate business	65.0	1.3
15	Computer and data processing services	Exemption	Sales and use	64.0	1.3
<b>Sum of top 15 provisions</b>				<b>3,737.0</b>	<b>74.9</b>
<b>Sum of other provisions</b>				<b>1,254.0</b>	<b>25.1</b>
<b>Total tax expenditures, all provision types, all taxes</b>				<b>4,991.0</b>	<b>100.0</b>

Source: Connecticut Tax Expenditure Report, January 2008.

Notes: The tax expenditure report does not include provisions with tax expenditures less than \$0.1 million. The report also states: "This report estimates each provision in isolation, with other provisions in that tax and other taxes held constant. The secondary impact of one provision over another provision is not taken into account." Thus, the summing together of different tax expenditure items implicitly assumes that the various provisions are independent of one another. In reality, this is probably not a realistic assumption.

Taxes for petroleum companies and public services companies are gross earnings taxes.

**DRAFT—SUBJECT TO REVISION AND FINAL REVIEW**

Table 3 (continued)

State	Rate	Requirements	Features	Caps/Exclusions
New Jersey	20%	≥ 60% of total project expenses (exclusive of post-production costs) must be for services performed and/or goods used or consumed in New Jersey.	Transferable, seven-year carry-forward.	Cannot exceed 50 percent of a taxpayer's tax liability when combined with other credits; total value all credits cannot exceed \$10 million in any fiscal year.
New Mexico	25%	No minimum level of expenditures or filming days.	Refundable at 100%.	\$5 million credit cap per production on services provided by performing artists.
New York	30% plus an additional 5% for NYC	For films shot in a facility: ≥ 75% of facility expenses must be incurred at a qualified New York facility; for location work, post production and other non-facility work: ≥ 75% of location days must be shot in New York or production must spend ≥ \$3 million in a qualified facility.	Refundable at 100%.	Generally excludes above-the-line costs. State cap ranges from \$65 million in CY 2008 to \$110 million in CY 2013. NYC allocated \$30 million per year through 2011 for the additional 5% credit.
Rhode Island	25%	≥ \$300,000 in Rhode Island production expenses and ≥ 51% of principal photography days must take place in Rhode Island.	Transferable, three-year carry-forward.	Total of all credits may not exceed \$15 million per year.

Table 4: Cost per job estimates for selected Connecticut tax programs

Tax program	Private sector employment gain (loss)	Public sector employment gain (loss)	Implied net employment gain (loss)	Net cost per private sector job gained (lost)	Implied net cost per net job gained (lost)
Corporate tax rate reduction	6,609	(1,909)	4,700	\$20,865	\$29,339
Electronic data processing property tax credit	256	(404)	(148)	\$156,621	(\$270,912)
Fixed capital investment credit	330	(520)	(190)	\$148,015	(\$257,079)
Machinery & equipment expenditure credit	62	(103)	(41)	\$164,465	(\$248,704)
Research & development credit	209	(210)	(1)	\$90,319	(\$18,876,649)
Research & experimental expenditures credit	1,029	(83)	946	\$5,588	\$6,078
Sales tax exemption on data processing services	359	(614)	(255)	\$187,830	(\$264,435)
Property tax exemption on machinery & equipment	948	(1,047)	(99)	\$96,530	(\$924,346)

Sources: Lott and McMillen, Table 6; United States Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers. Implied values are author's calculations.

Notes: Only tax programs projected to create at least 50 new private sector jobs in 2007 are included in table. All dollar figures have been converted to 2007 dollars using the CPI-U. Farm sector employment is included in public sector employment figures. Employment figures are full-time equivalents.

Implied net employment gain (loss) = private sector employment gain (loss) + public sector employment gain (loss)  
 Implied net cost per net job gained (lost) = [private sector employment gain (loss) x net cost per private sector job gained (lost)]/implied net employment gain (loss)

Table 5 (continued)

Source: McMillen et al., 2008 and author's calculations.

Notes: The "loss and damages" category is excluded from this calculation.

Estimated outcomes for the alternative scenarios are calculated by multiplying the DECD study outcomes by the ratio of "net new" Connecticut expenditures assumed to stay in-state for the alternative scenarios to that for the DECD study (i.e. 44.3/43.0 and 35.8/43.0).

Net cost is calculated as gross forgone revenue (\$16.5 million) minus net new revenues.

FTE = full time equivalent; GDP = gross domestic product; PI = personal income.