Connecticut's Economic Competitiveness in Selected Areas

November 16, 2009

Program Review Study

- Legislature's Bipartisan Oversight Committee
- Broad Examination of Connecticut's Economic Competitiveness
- Key Issues around Jobs and Job Growth

Presentation Outline

- Strategies for economic development
- Funding for economic development
- How well is Connecticut doing?
- How the state should focus economic development priorities
- Next steps for committee study

Economic Development Models

- Old Strategies
  - Incentive-based, single firm strategy
  - Retention of individual companies
  - Recruitment of out-of-state firms for growth
- New model – Innovation Economics
  - Create and grow companies from within the state
  - Promote innovation and entrepreneurial spirit

Current Strategies

- Economic development is not a state priority – resource allocation
- About 2.5% of General Fund targets economic development
- State economic development organizational structure fosters old model
- Economic development agencies act like lenders, portfolio managers

Current Strategies

- Investment strategy largely uses old model – targeted incentives
- Only about 12 percent of DECD investments fund business – other missions
- Only about half of the $ -- fund cluster industries
- Less than 10% of direct economic development funding goes to technology-based business

New Model

- Assess overall economy – strengths and challenges
- Identify assets
- Design investment strategy around assets

How Well? Overall Economy

- Per capita real gross domestic product is high
- CT **incomes** still high
- **Job growth** – depends when measured –
- State's unemployment rate below national average
- **Population** increased slightly
- CT had **net out migration**
- High cost state; perception of being unfriendly to business

Identify Economic Assets

- Economic development strategy – industry cluster strategy has been positive
- National Governors' Association, Federal Reserve Bank of Boston have pointed to benefits of cluster initiatives
  - Boost innovation
  - Generate employment
  - Higher wages and productivity
- CT supported cluster initiative since late 1990s
- State no longer actively supports cluster initiative

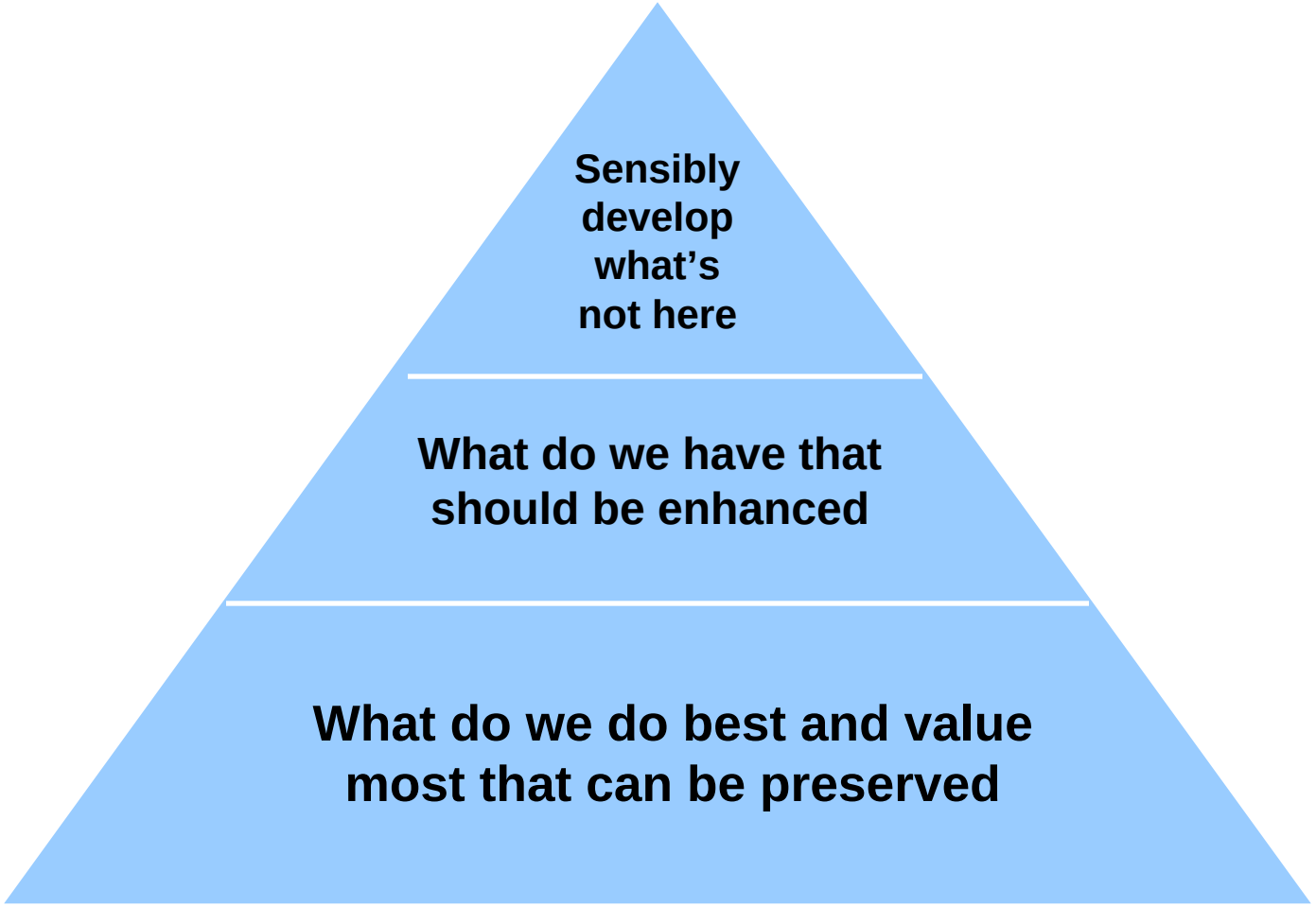
Implementation Issues

- Competitiveness Initiatives
  - Number of reports issued
  - Many times don’t implement or don’t sustain efforts
    - Cluster Initiative
    - Governor’s Council on Competitiveness - eliminated February 2009
- Not until September 2009 did Connecticut have a State Economic Strategic Plan

What's needed?

- Plan has been issued
  - Prioritize and execute
  - Refocus on core industries in Connecticut
  - Provide proactive, broad support for business
  - Organize economic development agencies and strategies around those core areas
  - Align investments with priorities and assets
  - Promote success stories

How to do Economic Development



Connecticut Innovation Index 2009

- Indicators
  - Research and Development Capacity
  - Innovation Capacity
  - Employment
  - Overall Economy
  - Education Capacity
  - Connectivity Capacity

Overall Findings

- Research and development high, but most grants go to industry
- Higher education institutions an asset
- Educated, productive workforce
- Education in lower grades a concern
- Tech transfer an issue
- Private funding for early stage business is declining

Innovation Policy

Investments that foster innovation

- Eminent faculty program at UConn √
- Center for Entrepreneurship at UConn √
- Incubator facilities √
- Exempt manufacturing equipment from property tax √
- Research and development tax credits √
- State has provided $ for stem cell research √

Economic Growth

- Exporting
  - Almost 5,000 state businesses export
  - Export activity increased
    - $8 billion in 2003 to $15 billion in 2008

Export Assistance

- Several initiatives to promote state exporting enacted in 1994
  - most not implemented

- Named as competitive strategy in 2005 plan -- But
  - Resources decreasing
  - Not enough collaborative efforts with partners
  - Surveys indicate many businesses don't know about assistance
  - Need for state agencies to report more than the numbers
  - Target efforts where business indicate they need help

Findings & Recommendations

- Final presentation to Program Review & Investigations Committee – December 17th

- Compare state strategies to “best practices” developed by National Governors’ Association and others for a competitive economy

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