



Joan McDonald
Commissioner



State of Connecticut
Department of Economic and
Community Development

November 9, 2009

Senator John Kissel, Co-Chair
Representative Mary Mushinsky, Co-Chair
Legislative Program Review and Investigations Committee
State Capitol, Room 506
Hartford, CT 06106

Dear Senator Kissel and Representative Mushinsky:

I am writing to you in response to a recent study concerning **Economic Competitiveness in Selected Areas** conducted by members of the Legislative Program Review Committee (LPRIC) Staff. We appreciate the efforts by the committee and staff to review and explore this area, especially during these difficult economic times.

As you are aware the Department of Economic and Community Development (DECD) is an agency with broad and diverse areas of responsibility, including economic, community and housing development, that are interrelated and all of which have a direct impact on the state's economy.

After reviewing LPRIC's study and having heard some of the testimony and discussion from the recent hearing, I am disappointed that the committee is not taking a more holistic approach to evaluating and addressing the many issues that affect businesses performance and industry competitiveness in our state. While your staff did acknowledge some of the study's shortcomings in this regard, they did not focus on some of the key factors that drive business decisions in Connecticut.

Businesses and investors generally do not make decisions based on individual issues or single factors. Rather they look at the aggregate effect of all of the various factors that influence business and investment decisions. These factors include but are not limited to, high energy costs, labor costs, regulatory red tape/mandates, lack of affordable housing, inadequate transportation, lack of a trained workforce, healthcare costs, unpredictable and inconsistent tax structure and legislation that companies view as anti-business.

All of these factors should be examined if Connecticut's competitiveness is to be accurately measured and solutions for improvement are to be offered and evaluated. My department's recently completed State Economic Strategic Plan may prove helpful to the committee in this regard.

I also feel it is important for you and committee members to get a better understanding of DECD's job creation and retention activities during this economic downturn.

First and foremost, under Governor Rell's direction and in partnership with our state's chambers of commerce, we have initiated a sustained business outreach program called "Business Connections."

The Business Connections Program provides Connecticut businesses with direct access to the many state and federal resources available to support them. The purpose of the sessions is to bring state programs and services to local businesses in their own backyard and to provide one-on-one counseling and follow-up. This effort is led by DECD with support from our economic development partners, including the Department of Labor, the Connecticut Development Authority, Connecticut Innovations, Connecticut Center for Advanced Technology, Connecticut State Technology Extension Program, Procurement Technical Assistance Program, Connecticut Small Business Development Centers, University of Connecticut Technology Incubation Program, Community Economic Development Fund, Institute for Technology and Business Development, Northeast Utilities, United Illuminating, U.S. Department of Commerce and representatives of area regional revolving loan funds. We have held 16 successful “Businesses Connections” events throughout the state that have helped hundreds of businesses, and more are scheduled in the upcoming weeks and months.

Working closely with our partners has helped our economy in other ways as well—in some not so obvious ways. For example, I have placed a major emphasis on promoting responsible growth and supporting transit-oriented development in our state. I created a new office within DECD to carry out these responsibilities, and specifically directed staff to work with developers and municipalities to maximize federal funding for key infrastructure projects throughout the state. In a very short time we have seen some dramatic results. We were recently notified that Economic Development Administration (EDA) funding for Connecticut has increased to \$2.9 million, an over tenfold increase over last year’s total.

This same office successfully secured \$600,000 in supplemental funding from the U.S. Environmental Protection Agency for brownfield redevelopment efforts throughout the state.

DECD funding of partner organizations produces similar results that are benefitting Connecticut companies and entrepreneurs. Here are just a few examples:

- 349 jobs were created or retained in FY 2008, and \$242 million in sales realized, through CONNSTEP’s manufacturing services;
- Over 60 aerospace companies have benefitted from market-driven initiatives through the state’s Aerospace Components Manufacturers cluster;
- \$900,000 of grant funds helped 23 companies with start up costs in FY 2009 through the DECD-funded Small Business Incubator Program administered by CCAT; and
- \$267 million of government contracts were secured by Connecticut companies that were assisted through PTAP counseling services.

Preparedness for opportunities in the New Economy is another key area of focus for DECD. The fact that Connecticut ranks very well nationally (#6) in this area is an advantage we must continue to focus our time and energy on in the years ahead. The promotion of green jobs, industries and technologies, for example, is demonstrated by DECD’s investment in energy programs at CCAT. One such program in the Biodiesel Distribution Facilities Grant program that is expected to increase Biodiesel distribution capacity by 3.6 to 5.2 million gallons per year, create 26 new jobs in Connecticut, leverage over \$4 million in private investments, and displace approximately 38,222 tons of CO2 emissions each year. Support of these types of programs is indicative of our commitment to innovation and nurturing new economic engines of growth.

The state's Industry Clusters play a key role as well. While many of our state's Industry Clusters have matured and become self-sustaining, DECD still actively collaborates with industry leaders and supports many of the initiatives emanating from the clusters. This market-driven approach has great value for all of us in the public sector and continues to help strengthen the competitiveness of Connecticut companies and industries.

Ensuring that all Connecticut residents share in the state's economic success is an important public policy objective to be realized. That is why DECD continues to fund programs like the Microloan Guarantee Program for Women- and Minority-Owned Businesses administered by the Connecticut Community Economic Development Fund. Since its inception in 1999, the Microloan Guarantee Program for Women- and Minority-Owned Businesses has loaned \$3.5 million to 115 businesses and helped create 2,557 full- and part-time jobs.

DECD actively works to maintain Connecticut's global orientation, whether it is in terms of trade promotion counseling and outreach, assisting companies take advantage of global market opportunities or pursuing foreign direct investment activities. DECD leverages resources to avoid duplicative efforts.

Connecticut has experienced several years of export growth. From 2007 to 2008, Connecticut's annual export commodities (exclusive of services) grew an outstanding 10.97%, from \$13.79 billion to \$15.31 billion. This increase follows the state's 12.66% gain in 2007, and its tremendous 25.6% jump in 2006. It is important to note, however, that this data—as well as the state's contribution to the GDP—paints a conservative picture of Connecticut's export story as it omits exported services, as the collection of such service data is inexact and tenuous.

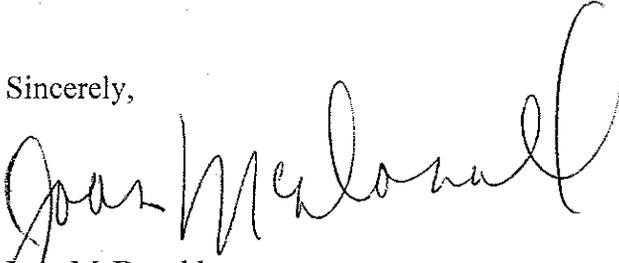
Foreign direct investment continues to have a major impact on the state's economy. In fact, Connecticut is tied with South Carolina as first in the country in the per capita share of its workforce supported by U.S. subsidiaries. U.S. subsidiaries in Connecticut employ over 100,000 workers in the state.

Certainly not to be overlooked are DECD's financial assistance programs that are helping companies retain and create jobs in the state. We have several programs at our disposal, including MAA, enterprise zones, the Job Creation Tax Credit Program and the Urban and Industrial Site Reinvestment Tax Credit Program that are having a positive impact on our economy. Since the onset of the recession, DECD has offered financial support to companies to help create and retain over 28,000 jobs in our state, leveraging another \$1.2 billion in capital in the process.

Finally, DECD continues to take an active role in shaping Connecticut's economic future. The recent completion of the draft State Strategic Economic Development Plan pursuant to PA 07-239 is a major step forward in understanding the importance and interrelated nature of transportation, workforce development, housing and education and how they impact our competitiveness as a state. The plan includes 66 initiatives for policymakers to consider that would improve the state's economic development performance.

We at DECD look forward to working with you and the committee on these issues and others as we collectively strive to strengthen Connecticut's business climate and the overall competitiveness of our industries and companies in the global marketplace.

Sincerely,

A handwritten signature in black ink, appearing to read "Joan McDonald". The signature is fluid and cursive, with the first name "Joan" written in a larger, more prominent script than the last name "McDonald".

Joan McDonald
Commissioner, Department of Economic and Community Development
Chair, Connecticut Innovations

CC: Senator Andrew Maynard, Ranking
Representative Mary Ann Carson, Ranking
LPRIC members
Carrie Vibert, Director, LPRIC