

6 428

TESTIMONY SUBMITTED TO THE LABOR COMMITTEE
March 1, 2011

Ron Angelo, Commissioner
Department of Economic and Community Development

**House Bill 6428 AN ACT CONCERNING STATE FINANCIAL ASSISTANCE AND EMPLOYERS
THAT HAVE TRANSFERRED JOBS OUT OF THE STATE**

The Department of Economic and Community Development (DECD) offers the following information in **opposition** to House **Bill 6428 AN ACT CONCERNING STATE FINANCIAL ASSISTANCE AND EMPLOYERS THAT HAVE TRANSFERRED JOBS OUT OF THE STATE**.

As Connecticut seeks to climb out of this recession, it is important that the state help businesses overcome obstacles to job creation. This is one of the many reasons why we cannot create more administrative burdens, such as those proposed under HB 6428, which put Connecticut's businesses at a competitive disadvantage.

HB 6428 would penalize businesses with 100 or more employees that receive financial assistance from DECD, the Connecticut Development Authority (CDA), or Connecticut Innovations (CI) and layoff, reassign or transfer out of state 50 or more employees. As a part of this bill, DECD, CDA, and CI would require, as a condition of financial assistance to any business organization with 100 or more employees, a full repayment on any financial assistance received for the period during which the business organization receives such financial assistance. A penalty of five percent would be assessed on any business for layoffs, reassignments, or transfers out of state of 50 or more employees. The bill defines financial assistance as, but is not limited to, all forms of loans, grants, guarantees and tax abatements.

DECD strongly opposes this bill because it believes that it would constrain the state's ability to provide financial assistance to those companies seeking to invest in the state. Additionally under this bill, Connecticut's competitiveness in attracting and retaining business and supporting economic development projects that bring jobs to the state would be hampered.

The department believes that presently there are adequate safeguards for state taxpayer funds in statute, and by prudent practices, policies as well as sufficient penalties incorporated into the financial assistance agreements for businesses that do not meet their employment obligations and residency requirements for maintaining operations in Connecticut.

Presently any projects that are subject to the requirements of Connecticut General Statutes section 32-700 through 32-703, where financing is provided to for-profit entities in an amount greater than \$1 million, including any assistance provided during the preceding two years, an assistance agreement must include employment obligations if the primary purpose of the project is job creation and retention. The penalties

must also be consistent with the statute. This includes that the business repay an amount that is in proportion to the number of jobs that it failed to create or retain.

Under the requirements of section 32-5a of the General Statutes and under state financial assistance agreements, businesses that receive state financial assistance cannot relocate operations outside of the state for 10 years after the date upon which an assistance agreement is fully executed or during the term of a loan or loan guarantee, whichever is longer. If a business relocates within the state during the 10-year period, it must offer employment at the new location to its employees from the original location if such employment is available. Additionally, if a business relocates any of its applicable operations outside of Connecticut during the non-relocation period the full amount of the financial assistance from the state, shall become immediately due and payable, plus a one-time penalty charge of 7.5% on the original amount of the financial assistance provided.

In addition, the definition of financial assistance under this bill includes tax abatements but does not further define what that covers. For example, DECD approves the eligibility of benefits under the Enterprise Zone program but does not administer any tax abatements. We would further submit that tax credits under our Job Creation and Urban Reinvestment programs are not tax abatements.

Thank you for your time and consideration of the department's comments. We respectfully request your **strong opposition** to House Bill No. 6428.