
OLR Bill Analysis

sSB 1066

AN ACT CONCERNING REVISIONS TO ECONOMIC DEVELOPMENT STATUTES.

SUMMARY:

This bill makes programmatic and technical changes to many Department of Economic and Community Development (DECD) programs and statutes. It:

1. makes more businesses and nonprofit organizations eligible for DECD loans;
2. extends tax incentives to more types of businesses;
3. tightens the criteria for counting new jobs under the older Insurance Reinvestment Tax Credit Program;
4. allows DECD to make grants to businesses operating in incubators;
5. makes more groups eligible for entrepreneurial training;
6. requires principal payments on energy conservation loans to be deposited in the fund created for making these loans;
7. removes the distressed municipality designation from the sections of Granby, Suffield, Windsor Locks and Windsor that are in the Bradley Airport Development Zone; and
8. specifies that vacant aerospace and defense plants meeting specified criteria qualify for tax incentives on or after the bill's passage.

The bill updates a reference to a national business classification code

DECD uses to determine if a business qualifies for assistance under many programs. It make a technical change incorporating a separate DECD annual report in the department's comprehensive annual report to the legislature (§§ 11 & 12). The bill also eliminates a reference to a repealed statute (§ 17) and makes many technical changes.

EFFECTIVE DATE: July 1, 2011, except for the changes to (1) the property tax exemption eligibility criteria, which take effect October 1, 2011 and are applicable to assessment years beginning on or after that date and (2) the small business loan program and the Bradley Airport Development Zone, which take effect upon passage.

PROGRAMMATIC CHANGES

§ 16 — *Small Business and Nonprofit Loans*

The bill allows more businesses and nonprofit organizations to qualify for DECD's Connecticut Credit Consortium program loans. PA 10-75 established this revolving loan program for those businesses and nonprofit organizations with fewer than 50 employees. The bill raises this maximum employee threshold to 100 employees.

§§ 3, 4, & 6 — *Extension of Economic Development Incentives*

The bill extends several economic development incentives to more types of businesses. Current law targets certain property tax exemptions, corporation business tax credits, and job creation grants to enterprise zones and targeted investment communities and further limits these geographically-targeted incentives to manufacturers and specified service and retail businesses operating in these designated areas.

The bill extends the incentives to the same range of businesses that qualify for financing under DECD's Manufacturing Assistance Act (MAA) program. These include two overlapping groups of businesses:

1. those that create or retain jobs, export most of their products and services out of the state, encourage innovation, or add value to products and services (i.e., economic-base businesses) and
2. those within a DECD-designated industry cluster.

It also extends the incentives to establishments, auxiliaries, or operating units of both groups, as defined in the North American Industrial Classification System.

The bill eliminates waste collection businesses from eligibility for the incentives.

§ 6 — Service Businesses' Eligibility for Enterprise Zone and Targeted Investment Community Incentives

Current law requires the DECD commissioner to adopt regulations for certifying whether a business qualifies for enterprise zone or targeted investment community incentives. Under current law, service businesses qualify if they are classified as such in the Standard Industrial Classification Manual.

Under the bill, the regulations must extend the incentives to any service business, not just those classified as such in the manual, if the business supports the economic competitiveness of manufacturers or other economic-base businesses or furthers the state's interests. Such businesses include those providing day care, job training, education, transportation, employee housing, energy conservation, pollution control, and recycling.

§ 10 — Counting Jobs for Tax Credits under the Older Insurance Reinvestment Act Program

PA 10-75 phased out the original Insurance Reinvestment Act program and replaced it with a newer version. The bill's change affects only this version, which provides business tax credits for investing in insurers that occupy new facilities and create jobs. It tightens the criteria for calculating the number of insurers receiving investments must create.

Under the older version, any business paying business taxes qualifies for credits only if it invested its funds in an insurer through a DECD-certified "insurance reinvestment fund." In certifying a fund, DECD allocates credits, which the fund reallocates to its investors. A business investor claims a portion of its share over 10 years according to a statutory formula. During the 10-year period, the insurer receiving

the investment must occupy the facility and employ at least 25% of its workers in new jobs or the investor must repay the credits.

Current law allows the insurer to count only those jobs that did not exist in Connecticut before the DECD commissioner certified its eligibility for investments under the program. It specifically prohibits the company from counting a job filled by an employee reassigned to it from another location. The bill also prohibits the company from counting a job that was created as a result of a merger or acquisition between the company and another Connecticut-based business.

§ 13 — *Incubator Grants*

The bill allows DECD to extend incubator grants to the businesses operating in incubator facilities. These businesses can use the grants to cover their operating costs or procure related services. Current law allows the commissioner to provide the grants only to the entities managing these facilities. These entities can use the grants to provide operating funds and related services, including preparing business plans and obtaining financial and management counseling.

§ 14 — *Entrepreneurial Training for Specified Groups*

The bill qualifies dislocated workers and displaced homeowners for DECD-funded entrepreneurial training. Current law allows the commissioner to fund such training programs for former recipients of temporary family assistance, general assistance, and aid to families with dependent children. The training programs can also assist ex-offenders and high school dropouts.

§§ 8-9 — *Energy Conservation Loan Repayments*

The bill requires all principal payments for all loans made out of the Energy Conservation Loan Fund to go directly back into the fund and makes a conforming technical change. Currently, the payments are first deposited in the Housing Repayment and Revolving Loan Fund.

§ 5 — *Bradley Airport Development Zone Benefits*

The bill removes the “distressed municipalities” designation from those sections of Granby, Suffield, Windsor Locks and Windsor that

are in the Bradley Airport Development Zone. PA 10-98 designated these sections the Bradley Airport Development Zone (BADZ) while simultaneously designating them as distressed. The BADZ designation qualifies businesses for property tax exemptions and corporation business tax credits while the distressed municipality designation affects the towns' eligibility for funds under various programs.

The distressed municipality designation qualifies municipalities for open space, planning, and development grants. But it also disqualifies them for grants under the Small Town Economic Assistance Program. Removing the distressed municipality designation restores the towns' eligibility for funds under that program.

DECD annually designates distressed municipalities based on demographic and economic criteria. It scores and ranks each municipality and designates the top 25 as distressed, a group that currently does not include the BADZ towns.

§ 15 — Vacant Aerospace and Defense Plants

PA 10-162 extended tax incentives to businesses in municipalities hit by major aerospace and defense plant closings affecting at least 800 employees. In doing so, it extended the incentives to businesses occupying a facility that was vacant on July 1, 1998, and previously used as an aerospace or defense plant. The bill shifts the incentives to facilities that are vacant on or after the bill's passage and employed at least 800 people. As under current law, it limits them to facilities that were used as aerospace or defense plants.

NORTH AMERICAN INDUSTRIAL CLASSIFICATION (NAIC)

The bill replaces references to an obsolete business classification code DECD uses to determine if a business qualifies for tax and financial incentives under different programs. Current law cites the Standard Industrial Classification System (SIC), which was based on the goods a business makes, the service it provides, or the methods and techniques it employs.

The federal government replaced SIC with a different classification

scheme needed to implement trade agreements creating a common North American market. That scheme—NAIC—groups businesses that use the same or similar processes to make goods or deliver services. Consequently, NAIC reflects the greater role services play in the economy.

The bill substitutes NAIC for SIC with respect to:

1. enterprise zone and targeted investment property tax exemptions and job creation grants (§§ 1, 3, 4, & 5),
2. financial services property tax exemptions (§ 4),
3. local option tax abatement for communication companies (§ 2),
and
4. urban and industrial sites remediation tax credits (§ 7).

BACKGROUND

Clusters

Clusters are groups of interrelated businesses that provide the same products or services, use similar processes and techniques, have similar workforce needs, and tend to buy the same types of supplies or support services. The nine DECD-designated clusters are aerospace components manufacturing, agriculture, bioscience, insurance and financial services, maritime, metal manufacturing, plastics and plastics manufacturing, software and information technology, and tourism.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 17 Nay 0 (03/08/2011)