General Assembly

File No. 631

January Session, 2011

Substitute Senate Bill No. 1001

Senate

Senate, April 26, 2011

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CREATING THE FIRST FIVE PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective July 1, 2011*) (a) (1) The Department of Economic and Community Development shall establish a first five program to encourage business expansion and job creation. As part of said program, the department may provide substantial financial assistance to up to five eligible business development projects in each of the fiscal years ending June 30, 2012, and June 30, 2013.

(2) A business development project eligible for financial assistance under the first five program shall commit, in the manner prescribed by the Commissioner of Economic and Community Development, to (A) create not less than two hundred new jobs within twenty-four months from the date such application is approved; or (B) invest not less than twenty-five million dollars and create not less than two hundred new jobs within five years from the date such application is approved.

(3) The Commissioner of Economic and Community Development may give preference to a business development project that is a redevelopment project if the commissioner believes such project will create jobs sooner than the schedule set forth in subdivision (2) of this section.

(4) The Commissioner of Economic and Community Development may, in awarding financial assistance to an eligible business development project, work with the Connecticut Development Authority and Connecticut Innovations, Incorporated, to secure financing for such project.

(5) The Commissioner of Economic and Community Development shall certify to the Governor for his or her approval that a business development project applicant has satisfied all the eligibility criteria in the program. Financial assistance awarded through the first five program shall be with the written consent of the Governor.

(b) Financial assistance for the first five program for eligible business development projects shall be exempt from the provisions of subsection (c) of section 32-223 of the general statutes, section 32-462 of the general statutes and subsection (q) of section 32-9t of the general statutes for the fiscal years ending June 30, 2012, and June 30, 2013.

(c) The commissioner may take such action as the commissioner deems necessary or appropriate to enforce such commitment, including, but not limited to, establishing terms and conditions for the repayment of any financial assistance awarded pursuant to the provisions of this section.

(d) On or before January 1, 2012, on or before January 1, 2013, and on or before September 1, 2013, the Commissioner of Economic and Community Development shall report in accordance with the provisions of section 11-4a of the general statutes to the joint standing committees of the General Assembly having cognizance of matters relating to commerce and finance, revenue and bonding on the projects funded through the first five program, the number of jobs created and the impact on the economy of this state.

Sec. 2. Subdivision (1) of subsection (i) of section 32-9t of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2011*):

(i) (1) There shall be allowed as a credit against the tax imposed under chapters 207 to 212a, inclusive, or section 38a-743, or a combination of said taxes, an amount equal to the following percentage of approved investments made by or on behalf of a taxpayer with respect to the following income years of the taxpayer: (A) With respect to the income year in which the investment in the eligible project was made and the two next succeeding income years, zero per cent; (B) with respect to the third full income year succeeding the year in which the investment in the eligible project was made and the three next succeeding income years, ten per cent; (C) with respect to the seventh full income year succeeding the year in which the investment in the eligible project was made and the next two succeeding years, twenty per cent. The sum of all tax credits granted pursuant to the provisions of this section shall not exceed one hundred million dollars with respect to a single eligible urban reinvestment project or a single eligible industrial site investment project approved by the commissioner. The sum of all tax credits granted pursuant to the provisions of this section shall not exceed **[**five hundred**]** seven hundred fifty million dollars.

Sec. 3. Subdivision (2) of subsection (e) of section 12-217ii of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2011*):

(2) The total amount of credits granted to all taxpayers under this section and sections 12-217nn and 12-217oo shall not exceed **[**eleven**]** twenty million dollars in any one fiscal year.

This act shall take effect as follows and shall amend the following sections:

Section 1	*July 1, 2011*	New section
Sec. 2	*July 1, 2011*	32-9t(i)(1)
Sec. 3	*July 1, 2011*	12-217ii(e)(2)

Statement of Legislative Commissioners:
In section 1, subdivision (2), the subparagraph designations were changed from "(1)" and "(2)" to "(A)" and "(B)", for proper form, and in subsection (c), the word "obligation" was changed to "commitment" for accuracy and consistency.

CE *Joint Favorable C/R* FIN

FIN *Joint Favorable Subst.-LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 12 $	FY 13 $
Department of Revenue Services	GF - Revenue Loss	500,000	1.8 million
Department of Economic & Community Development	Various - See Below	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill establishes the "first five program" which results in a potential revenue loss to the state from the extension of certain tax credits.

Section 1 allows the Department of Economic and Community Development (DECD) to provide substantial financial assistance for up to five eligible projects. The bill allows DECD to collaborate with the Connecticut Development Authority and Connecticut Innovations, Inc. to secure financing for these projects.

The bill exempts these projects from legislative approval for proposed financial assistance amounts that exceed statutory limits. Assuming that these projects would have received legislative approval for the amounts exceeding the statutory threshold, there is no fiscal impact. To the extent that a project or projects receive funding that would otherwise have been disapproved by the legislature, there could be a potential impact to the various funds supporting the Manufacturing Assistance Act program.

Section 3 increases the total authorization for job creation tax credits, which results in an estimated revenue loss of $500,000 in FY 12 and $1.8 million in FY 13.

The Out Years

The first five program is limited to FY 12 and FY 13 only. The impact of Sections 1 and 3 would be limited to those years only.

Section 2 increases the total authorization for Urban and Industrial Sites Reinvestment tax credits, which results in a potential revenue loss of up to $25.0 million per year in FY 15-FY 18 and up to $50.0 million per year in FY 19-FY 21.

OLR Bill Analysis
SB 1001

AN ACT CREATING THE FIRST FIVE PROGRAM.

SUMMARY:

This bill authorizes "substantial financial assistance" under existing economic development programs for business development projects that can create jobs and invest funds within specified timeframes. The Department of Economic and Community Development (DECD) commissioner may provide this assistance to no more than five businesses per year in FY 12 and 13, respectively (i.e., "First Five" Program).

The bill allows her to provide the assistance only if the governor consents. It exempts First Five projects from having to obtain the legislature's approval, which is required under current law for financial assistance and certain tax credits above specified amounts.

The bill also increases the total amount of business tax credits available for (1) creating new jobs, from $11 million to $20 million (see COMMENT), and (2) redeveloping urban and industrial sites, from $500 million to $750 million.

EFFECTIVE DATE: July 1, 2011.

SUBSTANTIAL FINANCIAL ASSISTANCE

The bill authorizes the DECD commissioner to provide substantial financial assistance to up to five businesses per year in FY 12 and 13, respectively, but does not explicitly specify the source, type, or maximum amount of assistance. It authorizes the commissioner to work with the Connecticut Development Authority and Connecticut Innovations, Inc. to secure financing for the project.

The bill implicitly identifies the Manufacturing Assistance Act program as one source for the assistance. This program provides different types of funding to businesses and municipalities for acquiring and developing land and, in businesses' case, acquiring machinery and equipment. The bill exempts first five projects from the program's funding limits, which vary under current law depending on a project's location. Projects in the state's 17 target investment communities qualify for up to 90% funding; those in the other municipalities generally qualify for up to 50% funding.

The bill also implicitly identifies the Urban and Industrial Sites Reinvestment program as a funding source by exempting First Five projects from having to obtain legislative approval for credits over $20 million. This program provides tax credits to businesses that build, expand, or rehabilitate facilities in state-designated economically distressed areas or clean up and redevelop contaminated property in any municipality.

ELIGIBILITY CRITERIA

Business development projects qualify for substantial financial assistance if they commit to creating jobs or investing funds within the bill's timeframes. Thus, a project qualifies if it:

1. creates at least 200 new jobs within 24 months after the commissioner approved assistance or

2. invests at least $25 million and creates at least 200 jobs within five years after the commissioner approved the assistance.

The bill requires the commissioner to give business development projects preference for assistance if they are also "redevelopment projects," which the bill does not define. The commissioner must do this if she believes a project can create at least 200 jobs sooner than 24 months or, for projects investing at least $25 million, sooner than five years.

TERMS AND CONDITIONS FOR FINANCIAL ASSISTANCE

The bill authorizes the commissioner to take any steps she deems necessary to ensure that a business development project meets its job creation and investment goals. The steps include imposing terms and conditions on repaying the state assistance.

APPROVAL

The commissioner must certify to the governor that a project meets the bill's criteria. She may award the assistance only if the governor consents.

The bill exempts First Five projects from laws requiring legislative approval for financial assistance or tax credits above specified amounts. Under current law, the legislature must approve proposed projects requesting over:

1. $10 million ($20 million for biotechnology projects) in grants, loans, loan guarantees, and other forms of financing during a two-year period or

2. $20 million in urban and industrial sites tax credits.

REPORTS

The commissioner must report to the Commerce and Finance, Revenue and Bonding committees on the projects receiving assistance under the bill. The reports must indicate the number of jobs created and how they affect the economy. They are due on January 1, 2012, January 1, 2013, and September 1, 2013.

BACKGROUND

Job Creation Tax Credits

The bill increases the total amount of tax credits that can be issued for creating jobs. This applies to three programs authorizing such credits. Table 1 compares and contrasts these programs.

Table 1: Job Creation Tax Credit Programs

Credit Program	*Applicable Taxes*	*Eligibility Criteria*	*Credit Limits*

Creating New Jobs (CGS § 12-217ii)	● Insurance Companies, Hospitals, and Medical Services Corporations ● Corporation ● Utility Companies	Any business creating at least 10 new jobs	● Five-year credit up to 60% of the income tax deducted and withheld from new employee wages ● Total credits for these and the small business and vocational rehabilitation job credits capped at $ 11 million per year
Small Business Creating Jobs (CGS § 12-217nn)	● Insurance Companies, Hospitals, and Medical Services Corporations ● Corporation ● Personal Income	● Businesses with fewer than 50 employees in Connecticut that create new jobs filled by Connecticut residents ● New employees must work at least 35 hours per week for at least 48 weeks per calendar year ● Credits available only for jobs created between May 6, 2010 and December 31, 2012	● Three-year, $ 200 per month per new employee ● Total credits for these and the job creation and vocational rehabilitation job credits capped at $ 11 million per year
Vocational Rehabilitation Job Creation Tax Credit (CGS § 12-217oo)	● Insurance Companies, Hospitals, and Medical Services Corporations ● Corporation ● Personal Income	● Business hiring Connecticut residents with disabilities ● New employees must work at least 20 hours per week for at least 48 weeks per calendar year ● Credits available only for employees hired after May 6, 2010 for income years beginning on or after January 1, 2010	● Three-year, $ 200 per month per new employee ● Total credits for these and the job creation and small business job creation tax credits capped at $ 11 million per year

COMMENT

Conflicting Statutes Regarding Cap on Job Creation Tax Credits

Current law imposes a single cap on the total number of credits that can be granted under the three job creation programs. It does so by imposing the cap in each program's statute, stating that it applies to the program, and, by reference, to the other programs. The bill increases the cap by amending CGS § 12-217ii(e) (2), but not CGS § 12-217nn (d) (2) and CGS § 12-217oo (d) (2).

COMMITTEE ACTION

Commerce Committee

Joint Favorable Change of Reference

Yea	19	Nay	0	(03/22/2011)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea	43	Nay	9	(04/07/2011)