



OLR RESEARCH REPORT

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STATE ASSISTANCE FOR PFIZER AND JACKSON LABS

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You asked for a comparison of the assistance the state proposes to provide the Jackson Labs facility in Farmington with the assistance it provided to Pfizer, Inc.

TOTAL INVESTMENT

The proposed Jackson Labs project differs significantly from the Pfizer project based on total costs and the amount and type of state assistance (see Attachment 1 for details). Although both involve the development of bioscience facilities, the total value of the Jackson Labs project is three times that of Pfizer--\$1.1 billion versus \$259 million. Also, the amount of financial assistance the state proposes for Jackson Labs far exceeds the amount provided to Pfizer and covers a larger share of the total cost--\$291 million or 26% of total costs for Jackson Labs versus \$39 million or 13% of total costs for Pfizer. As discussed below, the total for Pfizer does not include the value of any tax credits it claimed.

STATE ASSISTANCE

The Jackson Labs and Pfizer projects involve different types of financial assistance, perhaps reflecting the fact the former is a nonprofit organization proposing to develop a facility on uncontaminated state-owned land and the latter, a for-profit business that developed a facility on privately owned land that had to be acquired and remediated before the facility could be built.

Jackson Labs

The \$291 million the state proposes for Jackson Labs consists of a \$192 million secured forgivable loan for building the laboratory and a \$99 million grant for research and related costs. These funds will come from General Obligation Bonds the state will issue over 10 years, according to the schedule specified in *Reinventing Connecticut: A Bioscience Connecticut Collaboration*, JAX Genomic Medicine's assessment of the laboratory's economic impact.

In addition to these bond funds, the state-owned land upon which Jackson Labs will build the laboratory will be deeded to it if it achieves the job creation goals specified in the economic impact analysis after 20 years. As a nonprofit organization, Jackson Labs is exempt from property, sales, and corporation business taxes.

Pfizer

The financial assistance for Pfizer included tax incentives and land as well as state grants. The tax incentives included a combination of enterprise zone property tax exemptions and corporation business tax credits. The property tax exemptions equaled 80% of the assessed value of the facility and the newly acquired machinery and equipment Pfizer installed in it. Under the Enterprise Zone Program, the state reimburses municipalities for half of the property tax revenue they forgo. For most businesses, the exemptions are good for five years. But PA 01-6, June Special Session granted a second five-year period to Pfizer and other eligible bioscience firms. (The total value for these exemptions in Attachment 1 does not include the last three years of the extension.)

The corporation business tax credits apply to the tax attributable to the facility. They equal 25% of the tax, but increase to 50% if the business creates at least 150 jobs at the facility or fill at 30% of the new jobs with enterprise zone residents or city residents who qualify for federal job training assistance. We do not know the value of these credits because the law bars the Department of Revenue Services from disclosing information on a taxpayer's return.

Pfizer received additional benefits. New London acquired and conveyed to Pfizer the \$6 million-property on which it built the facility. Because the property was contaminated, the state contributed \$500,000 towards its clean up. Pfizer also received a \$5 million Urban Action grant for developing the site and the facility.

**Attachment 1: Comparison of the Pfizer Deal and the Proposed Jackson Labs Deal
(in millions)**

Deal Components	Companies	
	Pfizer	Jackson Labs
Private and State Contribution		
Total Private Contribution	\$255.7	\$809.0
• Percent Private Investment	86.7%	73.4%
Total State Contribution	\$39.3	\$291.0
• Percent State Investment	13%	26%
Total Project Costs	\$295.0	\$1,100.0
Time		
Date	2001	2012
Deal Duration Period	Approximately 13 Years	10 years
Assistance Package		
Tax Incentives		
• Partial State Reimbursed Property Tax Exemptions*		
○ City	\$11.3	Not Applicable
○ State Reimbursement	11.3	Not Applicable
• Corporation Business Tax Credits	Unavailable	Not Applicable
• Sales and Use Tax Exemptions	5.0	Not Applicable
Financial Assistance		
• Office of Policy and Management Urban Action Grant (for Global Facility)	\$5.0	Not Applicable
• Department of Environmental Protection Remediation Grant	0.5	Not Applicable
• General Obligation Bond proceeds administered by Connecticut Innovations, Inc.	Not Applicable	\$291.0
○ Forgivable, secured construction mortgage		192.0
○ Grant supporting research and related activities		99.0
Other Assistance		
• Value of Conveyed or Transferred Property	\$6.2	Not Applicable
Assistance Package Totals		
Total State and Local Assistance (minus value of corporation business tax credits for Pfizer deal)	\$39.3	\$291.0

* The property tax exemptions are normally good for five years, but Pfizer benefited from a 2001 law authoring a second five-year period for specified bioscience firms. The totals are for the first five-year period and two years of the extension period.

Sources:

1. Connecticut Center for Economic Analysis, *The Economic Impact of the Pfizer and Fort Trumbull Projects: An Assessment for the New London Development Corporation* (2001)
2. JAX Genomic Medicine, *Reinventing Connecticut: A Bioscience Connecticut Collaboration*, October 17, 2011
3. Office of Fiscal Analysis, December 10, 2008 memo on type and amount of state assistance for the Pfizer Corporation

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