

Office of Legislative Research
Connecticut General Assembly



Job Creation



Paul Frisman, Principal Analyst

2011-R-0399

November 18, 2011

Sandra Norman-Eady, Director
Phone (860) 240-8400
FAX (860) 240-8881
<http://www.cga.ct.gov/olr>

Connecticut General Assembly
Office of Legislative Research

Room 5300
Legislative Office Building
Hartford, CT 06106-1591
Olr@cga.ct.gov

NOTICE TO READERS

This report summarizes Public Acts that affect job creation passed in the 2011 regular and special sessions. We do not summarize all provisions of each act. Consequently, we encourage readers to obtain full texts of the acts that interest them online at www.cga.ct.gov, or from the State Library or the House Clerk's Office. Complete analyses are on our webpage (www.cga.ct.gov/olr).

Table of Contents

**COMPREHENSIVE ASSISTANCE FOR CREATING JOBS AND
STIMULATING ECONOMIC GROWTH..... 5**

Small Business Assistance..... 5

Manufacturing Reinvestment Accounts..... 5

Job Expansion Credits..... 6

Workforce Development 6

First Five Plus 6

Connecticut Innovations, Inc. (CII)..... 7

FINANCIAL ASSISTANCE..... 7

The “First Five” Program 7

CDA Bond Financing 7

Brownfield Remediation and Development 7

JOB TRAINING..... 8

“Learn Here, Live Here” Program 8

The Majority Leaders’ Job Growth Roundtable 8

TAX INCENTIVES..... 8

Business Tax Credits 8

Historic Preservation Tax Credits 8

Film Production Tax Credit 8

Extension of Economic Development Incentives 9

Tax-Deferred Savings for Manufacturers 9

TECHNOLOGICAL DEVELOPMENT 9

University of Connecticut Health Center 9

Establishing the Connecticut Bioscience Collaboration Program 9

UConn Technology Park..... 9

WORKFORCE DEVELOPMENT 10
Pilot Program for Jobs First Employment Services (JFES) Participants
..... 10
Bureau of Rehabilitative Services 10
Alignment of Postsecondary Education and Employment 10

COMPREHENSIVE ASSISTANCE FOR CREATING JOBS AND STIMULATING ECONOMIC GROWTH

PA 11-1, October Special Session (OSS), establishes new and expands existing business assistance, economic and workforce development, and job training programs. Among other things, it authorizes

1. rapid response financial assistance programs for small businesses,
2. a temporary subsidy for employment and training costs for small businesses that hire eligible new employees, and
3. economic incentives for businesses expanding or relocating in designated airport development zones.

It expands the First Five and Manufacturing Reinvestment Account programs to more companies and broadens the options for establishing captive insurance companies in Connecticut.

The act

1. replaces three existing job creation tax credit programs with a new job expansion credit,
2. makes the business entity tax payable every other year starting with payments due in 2014,

3. reduces the minimum investment required for an angel investor income tax credit, and
4. expands the types of productions eligible for film tax credits.

The following summarizes those provisions relating specifically to job creation. They are effective upon passage. Please see the [Amended Bill Analysis](#) for a complete analysis of the act.

Small Business Assistance

The act establishes the

1. Small Business Express Loan Program, which provides loans and other types of financial assistance to small businesses, and
2. Subsidized Training and Employment Program, which provides grants to eligible small businesses and manufacturers to pay a portion of an eligible employee's wages during the first six months of his or her employment.

It authorizes up to \$120 million in bonds for these programs.

Manufacturing Reinvestment Accounts

The act doubles, from 50 to 100, the number of small manufacturing companies that the Department of Economic and Community Development (DECD)

may choose to take part in the Manufacturing Reinvestment Account program, which allows manufacturers to deposit their domestic gross receipts in a tax-deferred interest bearing account for training, developing, or expanding their workforce, among other things.

Job Expansion Credits

Prior law authorized three tax credit programs for businesses that created new jobs – jobs creation, qualified small business job creation, and vocational rehabilitation job creation tax credits. The act phases out these programs and replaces them with a new three-year job expansion tax credit against the insurance premium, corporation business, utility company, or personal income tax for businesses that create new jobs and hire certain Connecticut residents to fill them. The credit is \$500 per month per new employee or \$900 per month if the employee meets criteria and applies to jobs created from January 1, 2012 to January 1, 2014.

Workforce Development

The act requires the labor commissioner to review (1) the Labor Department’s training programs and (2) the use of manufacturing industry volunteers for training in manufacturing skills at the vocational-technical schools outside of regular school hours and at the community-technical colleges. By January 1, 2012, the

commissioner must report his findings to the governor and the Higher Education and Labor committees, along with recommendations on how state resources can be reallocated to meet the manufacturing industry’s current training needs.

The act authorizes up to \$20 million in state general obligation (GO) bonds, \$10 million in FY 12 and \$10 million in FY 13, for the Board of Regents for Higher Education. It authorizes

1. \$1.1 million each year (\$2.2 million total) for the expansion of Asnuntuck Community College’s precision manufacturing program and
2. \$8.9 million each year (\$17.8 million total) for the establishment or enhancement of manufacturing technology programs in three community-technical colleges.

First Five Plus

During the regular session the legislature created the “First Five” Program to provide enhanced economic assistance to businesses expanding or relocating in Connecticut and creating jobs here (see below). This act expands the First Five Program to allow the DECD commissioner to provide state assistance to up to five additional business development projects (for a total of 10) in FY 12. It retains the previous program’s limit of five projects for FY 13. It

keeps the same project eligibility criteria, but also allows the commissioner, in choosing the remaining projects, to give preference to out-of-state and international manufacturers and company headquarters relocating to Connecticut.

Under First Five Plus, as under First Five, businesses qualify for funding if they promise to:

1. create at least 200 new jobs within 24 months after the commissioner approves the assistance or
2. invest at least \$25 million and create at least 200 new jobs within five years after the commissioner approves the assistance.

Connecticut Innovations, Inc. (CII)

CII provides risk capital for new businesses developing new products and techniques. This act authorizes general obligation bonds totaling \$125 million over five years to recapitalize CII's programs. It authorizes \$25 million per year for FY 12 through FY 16.

The act specifically reserves \$15 million of the authorization for CII's existing "pre-seed" financing program, which provides capital and support services to businesses developing new concepts. By law, a business qualifies for up to \$150,000 in financing and technical support from the program if (1) it is principally located in Connecticut, (2) at least 75% of

its employees work here, and (3) it has received private investments equal to at least half the state funds it seeks.

FINANCIAL ASSISTANCE

The "First Five" Program

PA 11-86 authorizes "substantial financial assistance" under existing economic development programs for business development projects that can create jobs and invest funds within specified timeframes. The DECD commissioner may provide this assistance to up to five businesses per year in FY 12 and 13, respectively. This act was amended by PA 11-1, OSS, (see above). Effective July 1, 2011.

CDA Bond Financing

PA 11-103 makes permanent two Connecticut Development Authority (CDA) programs that provide bond financing for large-scale development projects. Prior law would have prohibited CDA from approving new projects under both programs on or after July 1, 2012. Both programs use tax revenue, including incremental tax revenue, to repay the bonds. Effective July 1, 2011.

Brownfield Remediation and Development

PA 11-141 makes many changes in the laws and programs governing how contaminated property (i.e., brownfields) must be investigated

and remediated. Among other things, it:

1. makes permanent the municipal brownfield pilot program;
2. makes more brownfields eligible for state funds and subject to regulatory requirements;
3. expands the range of benefits and eligible entities under the Abandoned Brownfield Cleanup Program; and
4. establishes a program protecting parties investigating and remediating brownfields from liability to the state and third parties. Effective on various dates.

JOB TRAINING

“Learn Here, Live Here” Program

PA 11-140 establishes the Learn Here Live Here program, which provides incentives for Connecticut college and university students to save money toward the purchase of their first homes here. Effective July 1, 2011.

The Majority Leaders’ Job Growth Roundtable

PA 11-140 revamps the eligibility criteria for student loan reimbursements for Connecticut residents graduating from public colleges and universities with degrees in specified fields and eliminates the reimbursements for non-degree training

certificates in these fields. Among other things, the act expands the range of eligible degrees, but limits eligibility to residents working for a business related to their degree. Under prior law, residents had to hold a job related to their degree, but the job could have been in business, government, or the nonprofit sector. Effective on various dates.

TAX INCENTIVES

Business Tax Credits

As part of the First Five program, **PA 11-86** increases the total amount of business tax credits available under the (1) job creation tax credit program, from \$11 million to \$20 million, and (2) Urban and Industrial Sites Reinvestment program, from \$500 million to \$750 million. Effective July 1, 2011.

Historic Preservation Tax Credits

PA 11-148 allows more types of historic property to qualify for the state’s historic preservation tax credits. The act is effective July 1, 2011 and applicable to income years beginning on or after that date.

Film Production Tax Credit

By law, filmmakers can use film production tax credits to reduce their business taxes or, if they have no tax liability, transfer them to taxpayers that do. Among other things, **PA 11-16**, as amended by **PA 11-61**, retroactively increases, from 25%

to 50%, the minimum share of principal photography days a production company must spend in the state on or after January 1, 2010 to qualify for a film production tax credit. Effective upon passage and applicable to income years beginning on or after January 1, 2011.

Extension of Economic Development Incentives

PA 11-140 extends several economic development incentives previously targeted to enterprise zones and targeted investment communities (TIC) to more types of businesses. It extends the incentives (which include certain property tax exemptions, corporation tax credits, and job creation grants) to a range of businesses in other areas, including those within a DECD-designated industry cluster and economic-base businesses. It also requires the DECD commissioner to adopt regulations for certifying whether service businesses qualify for enterprise zone or TIC incentives. Effective July 1, 2011.

Tax-Deferred Savings for Manufacturers

PA 11-140 allows small manufacturers to defer taxes on the money they save for training workers and acquiring facilities and equipment. (PA 11-01, OSS, increased the number of eligible manufacturers from 50 to 100). Effective July 1, 2011.

TECHNOLOGICAL DEVELOPMENT

University of Connecticut Health Center

PA 11-75 authorizes an additional \$254.9 million in bonds to build a new bed tower and renovate academic, clinical, and research space at UConn's John Dempsey Hospital. Effective upon passage.

Establishing the Connecticut Bioscience Collaboration Program

PA 11-2, OSS, creates the Connecticut Bioscience Collaboration program within CII to support establishing a bioscience cluster anchored by a research lab at the UConn Health Center and authorizes up to \$290.7 million in GO bonds for this purpose. Effective upon passage.

UConn Technology Park

PA 11-57 authorizes up to \$18 million in GO bonding in FY 12 and up to \$154.5 million in FY 13 for development of a technology park and related buildings at UConn. Effective July 1, 2011 and July 1, 2012.

WORKFORCE DEVELOPMENT

Pilot Program for Jobs First Employment Services (JFES) Participants

PA 11-44 requires the Department of Social Services (DSS) and labor commissioners to implement, within available appropriations, a pilot program for up to 100 JFES participants that includes intensive case management services. It requires the DSS commissioner to extend Temporary Family Assistance (TFA, cash assistance) to these families beyond TFA's 21-month time limit if they make a good faith effort to comply with the pilot program's requirements, have not received more than 60 months of TFA benefits, and have not been granted more than two six-month extensions (which is generally the maximum number of extensions allowed).

This act (1) limits to one the number of six-month extensions participants may receive under the pilot program and (2) allows extensions only if there are available appropriations for them. Effective July 1, 2011.

Bureau of Rehabilitative Services

PA 11-44 creates a new Bureau of Rehabilitative Services (BRS) to provide job training and other services to individuals who are blind and visually impaired and deaf and hearing impaired. It

transfers all of the administrative and programmatic functions of the Board of Education and Services for the Blind and the Commission on Deaf and Hearing Impaired to BRS. The bureau also takes over the functions of the Bureau of Rehabilitation Services, previously within DSS. Among other things, it requires DSS, within available funding, to run a Jobs First pilot program for TFA recipients that includes intensive case management services. Effective July 1, 2011.

Alignment of Postsecondary Education and Employment

PA 11-33 requires the Office of Workforce Competitiveness (OWC), every two years, to identify and report on the sectors or subsectors in which workforce shortages exist, the workforce skills needed in those sectors or subsectors, and which career pathways should be established.

It also requires the State Department of Education to electronically distribute information on teacher shortage areas for at least the previous five-year period. This information must be distributed annually, by March 1, to the president of every higher education institution in Connecticut that offers teacher preparation programs. Effective July 1, 2011, except the provisions relating to the OWC are effective October 1, 2011.

PF:ro