

OFFICE OF LEGISLATIVE RESEARCH  
PUBLIC ACT SUMMARY



**PA 11-86**—sSB 1001

*Commerce Committee*

*Finance, Revenue and Bonding Committee*

**AN ACT CREATING THE FIRST FIVE PROGRAM**

**SUMMARY:** This act 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 up to five businesses per year in FY 12 and 13, respectively (i.e., “First Five” Program).

The act allows her to provide the assistance only if the governor consents. It exempts First Five projects from having to obtain legislative approval, which the law requires for financial assistance and certain tax credits above specified amounts.

The act also 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 DATE: July 1, 2011

**SUBSTANTIAL FINANCIAL ASSISTANCE**

*Two-Year Time Period*

The act authorizes the DECD commissioner to provide substantial financial assistance to up to five businesses per year in FY 12 and 13, respectively, and to work with the Connecticut Development Authority (CDA) and Connecticut Innovations, Inc. (CII) to secure financing for the project. CDA makes and guarantees loans for different business development projects; CII provides venture capital for developing new products and techniques.

*Manufacturing Assistance Act (MAA)*

The act does not explicitly specify the programs the commissioner may use to fund First Five projects, but suggests she may use MAA funds, which businesses can use to develop land and purchase machinery and equipment. The law limits the amount of MAA funds a project may receive based on its location. Projects in the 17 targeted investment communities qualify for up to 90% funding while those in the other municipalities generally qualify for up to 50% funding. The act exempts First Five projects from these limits, thus qualifying them for up to 100% funding regardless of their location.

*Insurance Premium Tax Credit Waivers*

## OLR PUBLIC ACT SUMMARY

The act also suggests that parties investing in First Five projects qualify for business tax credits. It does so by allowing the commissioner to waive the annual statutory limit on the total amount of credits insurers may claim against the insurance premium tax. The limit is 70% of a taxpayer's pre credit liability for that year. The commissioner may waive this limit for taxpayers claiming credits for investments made under these programs:

1. Urban and Industrial Sites Reinvestment Act (CGS § 32-9t),
2. Job Creation (CGS § 12-217ii),
3. Small Business Job Creation (CGS § 12-217nn),
4. Vocational Rehabilitation Job Creation (CGS § 12-217oo),
5. Film Production Tax Credit (CGS § 12-217j),
6. Film Production Infrastructure (CGS § 12-217kk),
7. Digital Animation Production (CGS § 12-217ll), and
8. Insurance Reinvestment Fund (CGS § 38a-88a).

### *Increase Credit Authorizations*

PA 11-6 increased the total combined cap for credits under the Job Creation, Small Business Job Creation, and Vocational Rehabilitation Job Creation programs from \$11 million to \$20 million. This act sets the cap for the Job Creation program at \$20 million on its own, but does not eliminate conflicting references to a combined \$20 million cap for the three programs in other statutes.

### EXEMPTION FROM LEGISLATIVE APPROVAL

The act exempts First Five projects from laws requiring legislative approval for large-scale economic development projects. It exempts them from the law requiring such approval for projects receiving over \$10 million over a two-year period (\$20 million for biotechnology projects). And it exempts them from the law requiring legislative approval for projects requesting over \$20 million in tax credits under the Urban and Industrial Sites Reinvestment Program, which provides credits for (1) building, expanding, or rehabilitating facilities in state-designated municipalities or (2) cleaning up and redeveloping contaminated property in any municipality.

### ELIGIBILITY CRITERIA

Business development projects qualify for First Five funding if they commit to creating jobs or investing funds within the act'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 new jobs within five years after the commissioner approved the assistance.

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

## OLR PUBLIC ACT SUMMARY

million, sooner than five years.

### TERMS AND CONDITIONS FOR FINANCIAL ASSISTANCE

The act 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 state assistance.

### APPROVAL

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

### REPORTS

The commissioner must report to the Commerce and Finance, Revenue and Bonding committees on the projects receiving assistance under the act. 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.

OLR Tracking: JR:CR:VR:ts