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2010-2012 BUSINESS AND JOB GROWTH INITIATIVES

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This report describes the legislature's major initiatives to counteract the recent economic slowdown.

SUMMARY

Since the late 2000s, when business activity began to slow down and jobless numbers started to go up, the legislature has enacted many new programs to counteract these effects. This report groups the programs based on their primary focus (e.g., remediating brownfields) and describes their principal features.

Innovation programs help set the stage for starting new businesses and expanding existing ones. Some encourage university researchers to find ways to commercialize their projects while others help small manufacturers develop advanced manufacturing technology.

Business development and growth programs reduce businesses' startup and expansion costs, providing the capital needed to develop new products and services, build or expand facilities, purchase machinery and equipment, and cover daily operating costs.

Job creation programs use different incentives to induce businesses to create jobs and hire new employees. Workforce development programs prepare workers to fill the jobs businesses create.

Other economic development efforts focus on cleaning up and redeveloping contaminated property, restoring historic structures, revitalizing small town Main Streets, maximizing the economic potential of airports and bioscience research facilities, and providing the fiscal and organizational wherewithal to meet business needs.

FOSTERING INNOVATION

Businesses take risks when they invest money and time into the development of new products and services or finding better way to make or deliver them. One way to minimize the risk is to collaborate with scientists doing pure research in the state's colleges and universities, which themselves are potential laboratories and test beds for new, commercially viable products and techniques. To foster that collaboration, the legislature authorized up to \$170 million in bonds for a UConn-based technology park.



Some state academic laboratories design and develop commercially viable products and use university departments and facilities to test, refine, and evaluate them. But university rules designed to ensure fair and competitive bidding could make it difficult to acquire these products for testing purposes. Consequently, the legislature set conditions under which university administrators can procure these products without competitive bidding or negotiation.

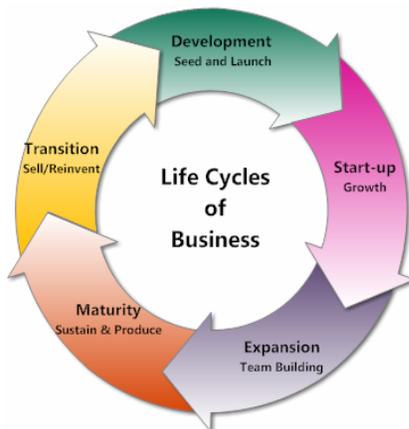


Small manufacturers represent another potential source of innovation, but lack the time, money and expertise to fully develop and commercialize their ideas. Consequently, the legislature authorized UConn and the nonprofit Connecticut Center for Advanced Technologies to help them develop advanced manufacturing technologies.



STIMULATING BUSINESS DEVELOPMENT AND GROWTH

Many economic development policies and programs assume that businesses, like people, develop in stages, each posing, as the graphic shows, specific goals and objectives.



For example, inventors and entrepreneurs need money to develop products and start businesses to market and sell them. Young, growing businesses need capital to expand facilities, purchase machines and equipment, and hire more workers. Mature businesses need capital to improve their products and adopt new, cost-cutting technologies.

Source: Leta Russell International
<http://letarussell.com/life-cycles-of-business/>

Economic downturns make it hard to achieve these goals. New and expanding businesses, for example, find it harder to obtain capital on favorable terms as venture capitalists, banks, and other traditional funding sources, seeking to minimize risk and uncertainty, want more collateral or a quicker return on their investments. Businesses that cannot meet these requirements might have to forgo contracts, lay off workers, or close plants. Since 2010, the legislature has created many new programs to help businesses weather the recent economic storm.

Entrepreneurial-Stage Programs

Entrepreneurial programs provide the investment capital fledgling new businesses need to develop, manufacture, and market new products. Like private venture capitalists, the quasi-public Connecticut



Innovations, Inc. (CII) provides seed capital for potentially viable new businesses,

generally on terms and conditions that are better for them than those offered by private venture capitalists (Table 1).

The state also helps early stage, technology-focused Connecticut companies leverage private capital by offering personal income tax credits to relatively small “angel investors” who invest in these companies (Table 1).

Table 1: Entrepreneurial Stage Programs
<p align="center"><u>Pre-Seed Funding Program</u></p> <p><i>Up to \$150,000 for matching private investment in Connecticut-based businesses employing mostly Connecticut residents</i></p> <p>Connecticut Innovations Inc. (CII) www.ctinnovations.com/FundingOpportunities/PreSeedFund.aspx</p>
<p align="center"><u>Angel Investor Tax Credits</u></p> <p><i>Personal income tax credits for people investing at least \$25,000 in start-up, technology-based businesses in Connecticut</i></p> <p>CII www.ctangeltaxcredit.com/</p>

Growth Capital

Just as entrepreneurs need capital to develop ideas and start businesses, established businesses need capital to develop facilities, purchase new machines, buy materials, pay salaries, and cover other operating costs.



When private capital flows began to recede in the late 2000s, the legislature poured more dollars into public capital flows, streamlined existing programs, and created new programs tailored for small businesses (Table 2).

These programs are administered by the state's lead economic development agency, the Department of Economic and Community Development (DECD). Other, older programs, such as Urbank, are run by the state's quasi-public business financing agency, the Connecticut Development Authority (CDA, <http://www.ctcda.com/Financing/>).

Most of the programs in Table 2 use public dollars to make loans or provide other forms of financing to otherwise viable businesses that cannot obtain private financing. But two represent a different approach. One, the Manufacturing Reinvestment Account, allows small manufacturers to defer paying taxes on funds they deposit in a special account they establish to fund capital investments and job training. The other program, the Insurance Reinvestment Act program, offers tax credits to insurers that invest in relatively small Connecticut businesses.

Table 2: Growth Capital Programs

<p>Connecticut Credit Consortium <i>Up to \$500,000 in direct loans and lines of credit to businesses and nonprofit organizations employing fewer than 50 people.</i></p> <p>Department of Economic and Community Development (DECD) (http://www.ct.gov/ecd/cwp/view.asp?a=1097&Q=436466)</p>
<p>Manufacturing Reinvestment Account <i>Allows up to 100 small manufacturers (50 or fewer employees) to save funds on a tax-deferred basis for worker training and capital purchases</i></p> <p>DECD (www.ct.gov/ecd/lib/ecd/mra_slipsheet.pdf)</p>
<p>First Five Plus Program <i>Offers substantial financial assistance for business projects creating at least 200 jobs or developing facilities within specified timeframes; includes preference for projects relocating overseas jobs to Connecticut</i></p> <p>DECD (www.ct.gov/ecd/cwp/view.asp?a=1104&q=474292)</p>
<p>Small Business Express Program <i>Provides grants, loans, and forgivable loans ranging from \$10,000 to \$300,000 to small businesses (100 or fewer employees) under a streamlined application process</i></p> <p>DECD (www.ct.gov/ecd/cwp/view.asp?a=3931&q=489792)</p>
<p>Insurance Reinvestment Act Program <i>Provides insurance premium tax credits for investing in Connecticut businesses with fewer than 250 people and net income under \$10 million</i></p> <p>DECD (http://www.ct.gov/ecd/cwp/view.asp?a=1097&q=437460)</p>
<p>Small Business Express Program <i>Provides grants, loans, and forgivable loans ranging from \$10,000 to \$300,000 to small businesses (100 or fewer employees) under a streamlined application process</i></p> <p>DECD (www.ct.gov/ecd/cwp/view.asp?a=3931&q=489792)</p>
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Preserving Historic Property

Restoring historic property helps businesses, preserves the past, prevents blight, and creates jobs. Many have stores and shops on the ground floor and apartments on the top floors (i.e., mixed use property). Connecticut, like many states and the federal government, offers tax credits to people and businesses that restore these properties. In 2011, the legislature expanded the range of historic property and reuses that qualify for these credits. (Contact DECD, http://www.ct.gov/ecd/lib/ecd/cct_tax_credits_brochure_jan_2012.pdf).



Cutting the Red Tape

Minimizing investment risks and restoring capital flows represent a financial approach to stimulating business growth. Another approach aims to reduce daily operating costs by making it easier for businesses, especially small ones, to comply with government regulations, many of which seek to minimize the impact of development projects and production activities on the environment.



As Table 3 shows, the legislature authorized steps to minimize these “regulatory burdens” without compromising environmental protection.

Generic	Environmental	Local Planning and Zoning
<ul style="list-style-type: none"> Established permit ombudsman (DECD) Required all state agencies to identify and use regulatory alternatives that minimize the impact on small businesses 	<ul style="list-style-type: none"> Required timeframes for completing environmental permitting tasks Authorized extension of expiration dates for general permits and review of timeframes for approving individual permits Required commissioner to determine how the permitting process can be streamlined Authorized consulting service to help businesses comply with environmental regulations Allowed some requirements for recording environmental land use restrictions and releasing parties from them to be waived Allowed qualified professionals to certify stormwater general permits Sets narrow conditions for approving developments in aquifer areas Authorized interagency expedited permitting for economic development projects Required water quality standards set by regulation instead of statute 	<ul style="list-style-type: none"> Extended deadlines for local land use approvals, thus giving developers more time to complete projects without requesting reapprovals Expanded the types of bonds or surety developers may post for completing public improvements Tied wetlands permits' expiration dates to related planning and zoning approvals and allowed wetlands agencies to restrict the time of year for conducting regulated activities Limited the types of site improvements and activities for which local commissions can require bonds

Besides authorizing steps to relieve regulatory burdens, the legislature created an office to expedite the permits businesses need to implement state-funded economic development projects (<http://www.ct.gov/ecd/cwp/view.asp?a=1095&q=456576>).

CREATING JOBS

Many businesses react to economic slow downs by shelving plans to expand or construct facilities, buy new machines and equipment, or hire more workers. These decisions reverberate throughout the economy, affecting the contractors who build the facilities, the suppliers who sell and service the machines, and the consumers who purchase products made in the facilities with the new machines. To mitigate the cost and uncertainty of hiring people in uncertain economic times, the legislature authorized tax credits for businesses that hire new workers without laying off incumbent ones.



Grants for Hiring and Training New Workers

Hiring and training new workers take time and cost money, which can be significant for small businesses trying to meet payroll and pay bills. Typically, few, if any, have staff qualified to train the new workers. The legislature responded to this need by creating programs that absorb some of the initial hiring and training costs. As Table 4 shows, it created separate programs for small manufacturers, small nonmanufacturing businesses, and all types of businesses regardless of size that hire unemployed Iraq and Afghanistan war veterans.

Table 4: Subsidized Training and Employment Programs (STEP)

Business Type	Assistance	Eligibility Criteria
 <p>Small Manufacturers</p>	<p>Grants subsidizing a new employee's training and compensation for first six months on the job, up to employee's salary or \$12,500</p> <p>Grant amount phases out over six months and ranges from a maximum \$2,500 for the first month to \$1,600 for sixth month</p>	<ul style="list-style-type: none"> • Unemployed immediately prior to hiring; • Resident of municipality with (1) unemployment rate at least equal to state's on September 1, 2011 or (2) population of 80,000 or more; and • Family income under 250% of federal poverty level, adjusted for family size
 <p>Small Non Manufacturing Businesses</p>	<p>Grants subsidizing a portion of new employee's training and compensation for first six months on the job, up to a maximum of \$20 per hour</p> <p>Grant amount phases out over six months and ranges from 100% for first 30 days to 20% for last 30 days</p>	<p>Same as above</p>
 <p>All Businesses Hiring Unemployed Veterans</p>	<p>Same as above</p>	<ul style="list-style-type: none"> • Unemployed prior to hiring; • Member of U.S. Armed Forces, reserve component, or state National Guard; • Called to active service in Afghanistan or Iraq; and • Honorable discharge after serving at least 90 days in combat zone or earlier if separated due to service-connected disability
<p>Department of Labor, Office of Workforce Competitiveness (www.ctdol.state.ct.us/OWC/StepUp/FactSheet.htm)</p>		

Tax Credits for Creating New Jobs

Tax credits for creating new jobs operate differently than the training and employment subsidies discussed above. A business awarded the tax credits must incur the entire cost of hiring and training new employees and wait until it prepares its annual tax return to reap the benefit, which is a reduction in the amount of taxes it owes. Before 2011, the state authorized three separate tax credit programs for creating new jobs and filling them with new employees. In 2011, it consolidated these programs, thus making it easier for businesses to access the credits (Table 5).

Table 5: Job Expansion Tax Credit
<p>Businesses qualify for credit based on their size and the number of jobs they create:</p> <ul style="list-style-type: none"> • 50 or fewer employees: one job • 51-100 employees: at least five • 100 or more employees: at least 10
<p>A new job counts toward the credit if the new employee works at least:</p> <ul style="list-style-type: none"> • 35 hours per week for at least 48 weeks per calendar year or • 20 hours per week for employees: <ul style="list-style-type: none"> ○ receiving vocational rehabilitation services from the Bureau of Rehabilitation, ○ receiving services from the Department of Mental Health and Addiction Services, or ○ participating in Department of Social Services-funded or -operated programs providing employment opportunities or day services
<p>The credits are available to businesses liable for</p> <ul style="list-style-type: none"> • Insurance Premium Taxes, • Corporation Business Taxes, or • Utility Company Taxes, <p>Credit amount depends on each new employee's circumstances.</p> <ul style="list-style-type: none"> • \$900 per month per employee for three years if the employee is: <ul style="list-style-type: none"> ○ Receiving unemployment compensation benefits ○ Unemployed after exhausting unemployment benefits ○ Current or past member of the U.S. Armed Forces or ○ Engaged in one of the following: <ul style="list-style-type: none"> ▪ receiving vocational rehabilitation services from the Bureau of Rehabilitation, ▪ receiving services from the Department of Mental Health and Addiction Services, or ▪ participating in Department of Social Services-funded or -operated programs providing employment opportunities or day services • \$500 per month per employee for three years for all other new employees
<p>Businesses can claim credits for eligible employees hired between January 1, 2012 and January 1, 2014</p>
<p style="text-align: center;">Contact</p> <p>DECD: http://www.ct.gov/ecd/lib/ecd/JET_Revised_Slipsheet_12-8-11.pdf</p>

DEVELOPING THE WORKFORCE



It's a given that businesses making high tech products or delivering high value services need highly skilled employees. It's also a given that persistent technological changes and intense foreign competition require those employees to continuously upgrade their skills or learn new ones. So it follows that businesses (and their employees) lose their competitive edge when technology changes faster than their ability to adopt new skills.

Retraining Unemployed Workers

Unemployed workers are a potential labor pool for expanding businesses. To put these workers to work and fill vacant jobs, the legislature in 2010 authorized \$1 million for short-term, noncredit community-technical college programs providing job-related skills and workforce credentials. It also required the colleges' board of trustees to look ahead and assess businesses' future employment and training needs.



Retaining Future Workers



Job grants and tax credits help fill more jobs if new and unemployed workers have the skills businesses need. Consequently they work well in conjunction with a workforce development strategy that encourages students and unemployed workers to pursue academic majors or job training that prepare them for the jobs businesses need to fill. The legislature enacted two programs to produce that result (Table 6).

One program partially reimburses student loans for Connecticut residents graduating from public colleges and universities with degrees or training in life science, green technology, or health information technology. The other addresses the state's relatively high housing costs, a factor that could discourage graduating students from pursuing their careers in Connecticut. When operational, that program will help graduating students save money toward the purchase of their first home here.

Table 6: Programs to Retain Future Workers	
<i>Student Loan Reimbursement Program</i>	
Eligibility	
• Academic training in:	
○ Life science, including biomedical engineering and medical device manufacturing	
○ Green technology	
○ Health information technology	
• Occupational	
○ Employed in a business related to one of the above academic fields, regardless of the job requirements	
• Income	
○ Federal adjusted gross income less than \$150,000	
Reimbursement Amount	
• Bachelor's degree: up to \$2,500 per year or 5% of loan amount, whichever is less, for up to four years	
• Associate's degree: same as above, but for up to two years	
• Total reimbursement under this and other programs capped at \$10,000 for bachelor's degree and \$5,000 for associate's	
Contact: Department of Higher Education	
<i>Learn Here, Live Here</i>	

<p>Eligibility</p> <p>Students graduating from:</p> <ul style="list-style-type: none"> • Regional-technical schools • Public and private colleges and universities • Specified types of health care training schools <p>Assistance</p> <ul style="list-style-type: none"> • Down payment assistance • Segregates \$2,500 per year from income payments for housing • Total amount segregate for all participating students capped at \$1 million per year <p>Contact: DECD</p>
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REMEDIATING BROWNFIELDS

Cleaning up abandoned or underused factories protects public health and safety while creating jobs, expanding tax rolls, and providing more land for parks, homes, and new businesses. But several barriers discourage businesses from turning these “brownfields” into environmentally safe and commercially viable properties. The legislature authorized several steps to reduce or eliminate these barriers.



Liability Protection



The fear of being sued discourages businesses from cleaning up and redeveloping brownfields, a fear that arises even when a business acquires a property that was polluted by a prior owner and remediated according to government standards. Regardless of how rigorously it investigates and remediates the property, a business risks missing a hazardous substance or inadvertently spreading it while trying to remove it. In 2011, the legislature authorized protections from liability to the state and third parties for cleaning up brownfields according to the law’s strict processes and standards. (Contact: DECD, <http://www.ctbrownfields.gov/ctbrownfields/cwp/view.asp?a=2631&q=319608>.)

Property Tax Relief

Remediating and improving brownfields increases their commercial value and, potentially, their property taxes. (Tax bills are based on a property’s fair market value and the municipality’s tax rate. Annual tax bills go up when a property’s value increases and the municipality’s tax rate increases or stays the same.) The jump in property taxes adds to the developer’s clean-up and redevelopment costs, thus reducing the short-term return on the investment.



To minimize these effects, the legislature broadened the conditions under which municipalities can abate or forgive property taxes on remediated and redeveloped brownfields. Specifically, it allowed them to freeze the assessment on a brownfield at the value on October 1 before the developer began remediating the property. Doing so, allows the developer to improve the property without paying taxes on its improved value. Municipalities can set the freeze period for up to seven years.

The legislature also allowed municipalities to grant an additional incentive to developers who remediate brownfields and convert them into homes and apartments. They can defer the assessment increase for up to 11 years on those properties in designated rehabilitation areas. (Contact: Local property tax assessor.)

Regulatory Relief



State agencies proposing to fund a redevelopment project face several regulatory hurdles, including identifying its potential impact on air, land, water, and other natural resources. The standard procedure for conducting these environmental reviews takes time, something that could affect a project's bottom-line costs. To test whether the reviews can be expedited without compromising their quality, the legislature authorized a shorter procedure to be tested on three redevelopment projects that could potentially benefit the region's or state's economy (DECD,

<http://www.ctbrownfields.gov/ctbrownfields/site/default.asp>).

Streamlining environmental review procedures and other regulator processes is not the only way the state can encourage property owners and developers to clean up and redevelop brownfields. Another way is for the state to clean up the contaminated property it owns and market these environmentally restored sites to private developers. In 2011, the legislature created a program for this purpose and funded it with \$20 million in bonds (DECD, http://www.ctbrownfields.gov/ctbrownfields/lib/ctbrownfields/pa-11-1_rfp.pdf).

INFRASTRUCTURE

Airports

Airports are economic engines, creating opportunities for businesses. Beginning in 2010, the legislature has approved several programs to develop the economic development potential of the state's general aviation airports.



That year, it created a special development zone around Bradley International Airport and extended the traditional enterprise zone property tax exemptions and corporation businesses credits to businesses developing facilities there.

The following year, it allowed more zones to be designated around the other general aviation airports. Also in 2011, the legislature increased the state's administrative and fiscal capacity to develop, improve, and operate the state's airports by creating the quasi-public Connecticut Airport Authority.

Bioscience Cluster

Many states have regions where groups or clusters of interrelated businesses, suppliers, and universities compete and collaborate with each other. Connecticut's traditional business clusters include manufacturing and insurance. Since the 1980s, bioscience businesses have emerged as an industry cluster, capitalizing on the state's research universities and deep pool of research scientists and laboratory technicians.



Beginning in 2010, the legislature sought to strengthen this relatively new cluster by authorizing (1) bonds for major capital improvements at UConn's John Dempsey Hospital, including its academic, clinical, and research facilities and (2) tax incentives for businesses making capital improvements in a designated bioscience zone near the hospital. (Contact: DECD, <http://www.ct.gov/ecd/cwp/view.asp?a=1097&q=249760#BioscienceEZ>)

In 2011, the legislature authorized additional bonds for constructing Jackson Laboratory's genomic medicine research laboratory and office facilities at the UConn Health Center.

Preserving Main Streets

Preserving small town Main Streets strengthens small, locally owned businesses and preserves a community's past while relieving the pressure to develop farms, forests, and open spaces. To achieve these goals, the legislature authorized bonds for improving streets, sidewalks, and other amenities in these historic centers and promoting them to visitors and shoppers.



(Contact: Office of Policy and Management, <http://www.ct.gov/opm/cwp/view.asp?a=2990&q=505894>).

CAPACITY BUILDING

Economic development policies and programs are words on paper until agencies translate them into actions. Since 2010, the legislature has taken steps to strengthen the agencies' organizational and financial capacity to implement these policies and programs.

Organizational Capacity

The legislature consolidated and streamlined agency operations and made it easier for businesses to do business with the economic development agencies. Specifically it:

- merged the CDA and CII, thus placing the state's business lending and venture capital programs under one roof;
- as mentioned above, created the Connecticut Airport Authority to manage and operate the state's general aviation airports;
- required the Secretary of the State's Commercial Recording Division to establish an electronic portal serving as a single point of entry for businesses that must register with her;
- required the Small Business Affairs Office to (1) provide a single point of contact for small businesses seeking financial and technical assistance from state agencies, (2) coordinate all state small business revolving loan funds, and (3) establish a uniform webpage listing small business resources and appropriate links; and
- authorized \$1 million in bonds to create an electronic business portal.



The legislature aligned education and workforce development programs with businesses' short- and long-term employment and training needs. Among other things, it:

- requires the state's colleges and universities to publicize their green technology initiatives and work together to promote them;



- requires the Office of Workforce Competitiveness, every two years, to identify and report on business sectors experiencing job shortages, the job skills they need, and the career pathways needed to provide those skills;
- requires the labor commissioner to review the departments' current training programs and use manufacturing industry volunteers at the vocational-technical schools and the community-technical colleges; and
- expanded the list of activities that can be considered unpaid worksite experiences in the Connecticut Career Certification Program.

Lastly, the legislature authorized regional economic development approaches, including:

- allowing municipalities and other entities to create regional economic development districts, prepare development strategies, and apply for state and federal economic development funds and
- revamping the Capital City Economic Development Authority (now, the Capital Region Development Authority) and broadening its mission.

Financial Capacity

The legislature provides funds and financial tools to sustain economic development programs. It:



- made permanent two programs that use incremental tax revenues to back the bonds issued to finance economic development projects,
- authorized \$125 million bonds over five years to recapitalize the state's venture capital agency,
- increased the total amount of business tax credits available under the job creation and urban and industrial sites reinvestment tax credit programs, and
- authorized \$20 million in bonds to expand or establish precision manufacturing programs at the community-technical colleges.

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