

**Exhibit B**

**AGENCY FISCAL ESTIMATE OF PROPOSED REGULATION**

AGENCY SUBMITTING REGULATION: **DECD**

DATE: **May 24, 2012**

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SUBJECT MATTER OF REGULATION: Historic Structure Rehabilitation Tax Credit, C.G.S. 10-416a, as amended in Public Act 11-48

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REGULATION SECTION NO.: 10-416a-1 through 10-416a-12 STATUTORY AUTHORITY: P.A. 11-48 Section 121

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OTHER AGENCIES AFFECTED: Department of Revenue Services

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EFFECTIVE DATE USED IN COST ESTIMATE: July 1, 2011

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**SUMMARY OF STATE COST AND REVENUE IMPACT OF PROPOSED REGULATION**

**Agency:** DECD **Fund affected:** SID 35352 Historic Structures Law PA 06-186 Fund 12060  
fiscal years 08-12

	First Year FY 2011	Second Year FY 2012	Full Operation FY 2013
Number of Positions	1	1	1
Personal Services	\$72,485.00	\$72,485.00	\$72,485.00
Other Expenses	None	None	None
Equipment	None	None	None
Grants	n/a	n/a	n/a
Total State Cost (Savings)	\$72,485.00	\$72,485.00	\$72,485.00
Estimated Revenue Gain (Loss)	See below	See below	See below
Total Net State Cost (Savings)	See below	See below	See below

**EXPLANATION OF STATE IMPACT OF REGULATION:**

Total State Costs

The Historic Structures Rehabilitation Program is administered by one staff member and no additional staffing is required. The Personal Services cost indicated above is for a National Register Specialist/Historian position, salary grade 26.

Estimated Revenue Gain

The Historic Structures Rehabilitation Tax Credit can be used in conjunction with the Federal Historic Tax Incentives program, which provides a 20% tax credit for qualified rehabilitation expenditures associated with the rehabilitation of income-producing properties. This is a federal funding source that helps leverage the state's investment in the program. Furthermore, a recent economic impact analysis of the state's historic tax credit program concluded that for every dollar issued in state tax credits \$5.00 was spent in private investment associated with the property's rehabilitation.

Additionally, historic rehabilitation projects create construction jobs that generate state income tax dollars. It is estimated that for every \$1,000,000.00 of output associated with a historic rehabilitation 9.3 direct jobs and 5.1 indirect jobs are created as opposed to new construction which creates a total of 11.9 direct and indirect jobs.

Finally, Public Act 11-48 Section 121 (j) allows the department to charge a fee up to \$10,000 for the administration of the program. As of August 2011, there is approximately \$93,000.00 in the account. Under the program regulations, DECD proposes to lower the maximum fee amount from \$10,000 to \$5,000 in order to bring the fees in line with the fees imposed under the Federal Historic Tax Incentives program and other state's tax credit programs. It is DECD's belief that a lower fee may make development in the state more attractive to out-of-state developers as well as encourage the rehabilitation of smaller commercial and residential properties. To date, the fund has been used to cover the cost of a portion of the State Historic Preservation Office's economic impact report. Staff is currently working on a series of brochures as well as a publication on incorporating energy efficiency in historic buildings. The cost of these initiatives will be paid for using the Historic Structures fund.

#### EXPLANATION OF MUNICIPAL IMPACT OF REGULATION:

The regulation of the tax credit program imposes no financial burden on municipalities. In fact, the rehabilitation of underutilized or vacant historic buildings can expand the local tax base by increasing property values and encourage the improvement of adjacent properties.