



Department of Economic and  
Community Development

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**Catherine H. Smith**  
Commissioner

**TESTIMONY**  
**SUBMITTED TO THE COMMERCE COMMITTEE**  
**February 28, 2013**

***Senate Bill 838:***  
***AA ESTABLISHING A FUND FOR BIOSCIENCE INNOVATION***

The Department of Economic and Community Development (DECD) offers the following comments in support of Senate Bill 838: AA ESTABLISHING A FUND FOR BIOSCIENCE INNOVATION and commends Governor Malloy in recognizing the potential of this legislation to spur economic development with new jobs while improving the health of Connecticut's residents.

Senate Bill 838 is a necessary and bold initiative that would allocate \$200 million dollars over a ten-year period in order to invest in and attract bioscience companies here to Connecticut. Connecticut has already made significant headway in bioscience through Jackson Labs, stem cell research and strategic investments in our colleges and universities. This initiative seeks to complement these investments by facilitating an even stronger collaboration by building on core strengths and funding tools and platforms to enable innovation. Furthermore, our state's strategic plan targets a few high growth business areas (and bioscience is one) which will drive state jobs and economic growth in the coming decades. The investments that will be spurred by this strategic fund will complement the other work the state will continue to do to support this part of the economy. In 2010 alone, Biosciences in Connecticut employed 24,650 direct jobs with a total impact of 84,217 including indirect jobs.

The industry has changed dramatically and the current cycle of discovery and implementation has become very fast. While NIH funding has steadily decreased, we as a state are faced with the need to invest in the commercialization of these discoveries in order to keep our existing talent and build density. Connecticut is well positioned to grow this industry as we continue to have above average bioscience employment particularly in pharma and medical devices, but we can help this industry to grow even more.

The legislation calls for the creation of an advisory board comprised of high level leaders within the bioscience field, that is charged with implementing a very competitive process and rigorous vetting of proposals. Investments will be strategically made to promote job and revenue generators such as startups, proof of concept, commercialization and innovation of discoveries. The fund will also leverage more private investment in the state.



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The Bioscience Innovation Fund is to be administered by Connecticut Innovations (CI) and will be targeted to achieve a high return on investment to the state by implementing stringent metrics for success. There is no other industry that provides such high value job

growth as the bioscience sector. The average bioscience job in Connecticut is \$96,000 compared to the state average of \$60,000. An industry such as this, one that is well positioned for growth, needs to be encouraged here in Connecticut, and The Bioscience Innovation Fund will achieve just that.

For the aforementioned reasons, I encourage your support of this legislation.



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***SB 940:  
AN ACT CONCERNING PERMITS FOR FILMING ON DEPARTMENT OF  
TRANSPORTATION PROPERTY***

The Department of Economic and Community Development (DECD) offers the following comments in support of Raised Bill SB 940: AN ACT CONCERNING PERMITS FOR FILMING ON DEPARTMENT OF TRANSPORTATION PROPERTY.

As you are aware, our mission at DECD is to develop and implement strategies to increase the state's economic competitiveness. We do this by attracting and retaining businesses and jobs, revitalizing neighborhoods and communities, ensuring quality housing, and preserving and promoting cultural and tourism assets.

DECD's Office of Film, Television, and Digital Media encourages the production of digital media and motion pictures in the State of Connecticut by supporting the film and digital media industry and related job creation. Under current law, licenses are used to grant permission to film on Department of Transportation (DOT) property, requiring additional approvals from the State Properties Review Board (SPRB), before shooting can begin. This process can take up to a month and sometimes well beyond, when five business days is what is required.

Film companies require flexible scheduling and prompt approval of their requests, which is not possible with the current review process. In order to expeditiously grant permission to film companies that seek to film on DOT property or state highway right of way, DECD and DOT seek to implement a permitting system for approval, replacing the current licensing system.

A permitting system, as opposed to the current license agreement process, will be more efficient and will make producing films in Connecticut more attractive. DOT resources will be conserved, as agreement preparation and processing will be streamlined. All protections to the state will be built into the permit, with insurance requirements being set on a case-by-case basis, by DOT in consultation with the State's Director of Insurance and Risk Management (DAS-Insurance and Risk Management Board) based on the complexity of the filming request.

Thank you for considering the department's comments.



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***SB 941:  
AN ACT CONCERNING SALES AND USE TAX RELIEF BY THE DEPARTMENT  
OF ECONOMIC AND COMMUNITY DEVELOPMENT***

The Department of Economic and Community Development (DECD) offers the following comments in support of SB 941: AN ACT CONCERNING SALES AND USE TAX RELIEF BY THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT.

As you are aware, our mission at DECD is to develop and implement strategies to increase the state's economic competitiveness. We do this by attracting and retaining businesses and jobs, revitalizing neighborhoods and communities, ensuring quality housing, and preserving and promoting cultural and tourism assets.

DECD currently serves as the lead agency in negotiating financial incentive packages with companies interested in either relocating to, or expanding here in Connecticut. The Connecticut Development Authority (CDA), prior to its merger with Connecticut Innovations Inc, was the sole grantor of the Sales and Use Tax Relief program. Since 1997 only three deals have been done without DECD participation. Presently, under current law, only CI may provide Sales and Use Tax Relief for economic development projects.

Senate Bill 941 seeks to expedite DECD's ability to provide this exemption, by eliminating the unnecessary step of involving CI in the approval process. This modification would eliminate uncertainty for companies about the timely completion of deals, by eliminating the need for board approval.

The total number or quantity of exemptions is not expected to increase by this legislative change, it only seeks to support DECD's ongoing commitment to streamlining the state's governmental processes.

Thank you for considering the department's comments and I urge your support.



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*Senate Bill 942:*

***AN ACT CONCERNING CAPS ON STATE FINANCIAL ASSISTANCE FOR  
BUSINESS PROJECTS AND THE URBAN AND INDUSTRIAL SITE TAX CREDIT***

The Department of Economic and Community Development (DECD) offers the following comments in support of Senate Bill 942: AN ACT CONCERNING CAPS ON STATE FINANCIAL ASSISTANCE FOR BUSINESS PROJECTS AND THE URBAN AND INDUSTRIAL SITE TAX CREDIT.

As you are aware, our mission at DECD is to develop and implement strategies to increase the state's economic competitiveness. We do this by attracting and retaining businesses and jobs, revitalizing neighborhoods and communities, ensuring quality housing, and preserving and promoting cultural and tourism assets.

Senate Bill 942 will improve the agency's ability to effectively and efficiently negotiate business assistance deals, strengthening our efforts to attract and retain businesses and create good paying jobs here in Connecticut. This legislation was conceived out of the agency's recent experiences in negotiations with "First Five" applicants and other recipients of DECD financial assistance over the last two years.

State Financial Assistance, or the Manufacturers Assistance Act (MAA), was created by statute in 1990, and the Urban and Industrial Sites Reinvestment Act Tax Credit program (URA) was established in 2000. In the intervening years, projects have increased dramatically in size and scope. The current trigger of \$10 million for legislative approval on MAA projects and \$20 million for URA projects is outdated and not in line with financial assistance packages that are currently being negotiated.

The limits currently set only constrain the agency's ability to negotiate agreements in a timely and effective manner. This concept has already been approved in the First Five Legislation (PA 11-86) which was approved by the legislature in 2011. By increasing the legislative approval trigger from \$10 million to \$20 million for State Financial Assistance and from \$20 million to \$40 million for the URA tax credit we will be ensuring Connecticut maintains its competitive advantage relative to other states.



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Senate Bill 942 brings the thresholds up to date, better reflecting the intent of, and practice under, the original statute. To place the current thresholds into perspective, if MAA was increased by a rate of inflation alone, the trigger would currently be \$17,566,488. If the URA threshold was increased by a rate of inflation alone, the trigger would currently be \$26,665,969.

What all our incentives and assistance tools have in common is they provide the agency with the tools necessary to compete for the businesses and jobs that our state needs to maintain and strengthen our position in the global economy. As the economy changes, we must also adapt our programs to meet many and all the challenges that may come our way.

The proposed language reflects part of what we have learned as we have pursued our mission, and I urge your support.

Thank you for considering the department's comments.



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***Senate Bill 943:***  
***AN ACT CONCERNING CHANGES TO THE STATE ECONOMIC STRATEGIC***  
***PLAN***

The Department of Economic and Community Development (DECD) offers the following comments in support of Senate Bill 943: An Act Concerning Changes to the State Economic Strategic Plan.

As you are aware, our mission at DECD is to develop and implement strategies to increase the state's economic competitiveness. We do this by attracting and retaining businesses and jobs, revitalizing neighborhoods and communities, ensuring quality housing, and preserving and promoting cultural and tourism assets.

Senate Bill 943 seeks to accomplish two objectives. First, the legislation streamlines Connecticut's Economic Strategic Plan so that it can become a more valuable, user-friendly planning document for policymakers. Secondly, the legislation proposes that DECD publish their next document by July 1, 2015 and quadrennially after that. This new publication schedule allows a newly elected Governor to create a plan of his or her own soon after being elected. Therefore, a new administration is not subjected to implementing and answering for a plan that they had no role in creating.

These recommended changes to DECD's approach comes after considering how other states present their plans and gauging their potential effects. The new report will be a pared down document comprised of useful information that is not duplicative of DECD's annual report or based on outdated material. Prior reports have been over 500 pages long. By comparison, Massachusetts' annual report is 34 pages long.

Finally, if constructed as we propose, the plan can serve not only as the strategic map for the state to follow, it will provide meaningful action plans and metrics by which our progress can be measured.

Thank you for considering the department's comments.

I urge your support.



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***House Bill 6356:  
AN ACT CONCERNING BENEFIT CORPORATIONS AND ENCOURAGING  
SOCIAL ENTERPRISE***

The Department of Economic and Community Development (DECD) offers the following comments in support of House Bill House Bill 6356: AN ACT CONCERNING BENEFIT CORPORATIONS AND ENCOURAGING SOCIAL ENTERPRISE, and commends Governor Malloy in recognizing the potential of this legislation to effectively marry both purpose and profit.

As you are aware, our mission at DECD is to develop and implement strategies to increase the state's economic competitiveness. We do this by attracting and retaining businesses and jobs, revitalizing neighborhoods and communities, ensuring quality housing, and preserving and promoting cultural and tourism assets.

House Bill 6356 seeks to help businesses intent on generating profits with a purpose, with a simple streamlined way to legally incorporate as Benefit Corporations. Social Enterprise hubs have developed in over twelve states at this point and have served as incubators for the entrepreneurial spirit by driving business innovation all while creating jobs and igniting a network of investors of like minds.

The State of Connecticut is poised to realize many benefits as a result of this bill's passage. Unlike non-profit entities, Benefit Corporations are subject to up front start up fees and ongoing annual taxes. These corporations seek to address community problems without relying on State or Federal dollars for philanthropy pursuits, freeing up much needed dollars in financially strapped budget discussions. In fact, there are several new startups in this arena now being developed in Connecticut.

From a mere policy perspective, the legislation before you is a model that should be emulated in all those states that decide to follow this path. The language is clear that Benefit Corporations must be structured in a way that requires the mixing of profits and purpose all while exposing themselves to stringent transparency and third party accounting. The "Legacy Provision" which is unique to HB 6356 allows the Benefit Corporation to remain as a social enterprise in perpetuity or until liquidation, assuring that the goals initially perceived are protected from ownership or management changes.

I urge you to support this legislation for the aforementioned reasons. It is a measure that will leave a lasting social and financial impact on our state for years to come.





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**House Bill 6466:**  
**AA CLARIFYING COLLATERAL REQUIREMENTS FOR APPLICANTS FOR**  
**FINANCIAL ASSISTANCE FROM THE DEPARTMENT OF ECONOMIC AND**  
**COMMUNITY DEVELOPMENT AND CONNECTICUT INNOVATIONS**  
**INCORPORATED**

The Department of Economic and Community Development (DECD) offers the following comments in support of House Bill 6466: AA CLARIFYING COLLATERAL REQUIREMENTS FOR APPLICANTS FOR FINANCIAL ASSISTANCE FROM THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT AND CONNECTICUT INNOVATIONS INCORPORATED.

As you are aware, our mission at DECD is to develop and implement strategies to increase the state's economic competitiveness. We do this by attracting and retaining businesses and jobs, revitalizing neighborhoods and communities, ensuring quality housing, and preserving and promoting cultural and tourism assets.

House Bill 6466 will improve the Agency's ability to effectively and efficiently negotiate business assistance deals, strengthening our efforts to attract and retain businesses and jobs. It was developed in response to the Agency's experience in negotiations with "First Five" applicants and other recipients of DECD financial assistance over the last two years.

The legislation will clarify existing statute by eliminating doubt about the fact that grants do not require collateral as a condition of receiving state assistance, without compromising other requirements, including those regarding residency.

Note that there are significant differences between the terms associated with grants and the terms associated with loans and with tax credits. Grants are typically spent in one year and carry requirements for capital investment or job creation or both. The state is protected against non-performance by including strong "claw-back" provisions in the terms of our grants, and the proposed clarifying language has no impact on that protection.



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By contrast, a loan given as part of an assistance agreement requires some form of collateral, and carries a long term of repayment, typically ten years. Tax credits are subject to a different set of requirements, which include collateral and forfeiture provisions.

What all our incentives and assistance tools have in common is they provide the Agency and the governor with the tools necessary to compete for the businesses and jobs that our state needs to maintain and strengthen our position in the global economy. The proposed language reflects part of what we have learned as we have pursued our mission, and I urge your support.

Thank you for considering the department's comments.



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***House Bill 6468:***

***AA REPEALING HIGH PERFORMANCE WORK ORGANIZATION PROGRAMS  
AND THRESHOLD PROJECT REQUIREMENTS IN THE PROVISION OF  
FINANCIAL ASSISTANCE BY THE DEPARTMENT OF ECONOMIC AND  
COMMUNITY DEVELOPMENT AND CONNECTICUT INNOVATIONS,  
INCORPORATED***

The Department of Economic and Community Development (DECD) offers the following comments in support of House Bill 6468: AA REPEALING HIGH PERFORMANCE WORK ORGANIZATION PROGRAMS AND THRESHOLD PROJECT REQUIREMENTS IN THE PROVISION OF FINANCIAL ASSISTANCE BY THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT AND CONNECTICUT INNOVATIONS, INCORPORATED.

As you are aware, our mission at DECD is to develop and implement strategies to increase the state's economic competitiveness. We do this by attracting and retaining businesses and jobs, revitalizing neighborhoods and communities, ensuring quality housing, and preserving and promoting cultural and tourism assets.

In order to fulfill our mission as efficiently and effectively as possible, we from time to time, identify and eliminate outmoded, redundant, or obsolete practices and processes, some of which have been codified in statute. This bill eliminates two antiquated and unenforceable reporting requirements.

HB 6468 seeks to eliminate two reporting requirements found under CGS Subsection 32-475 "High Performance Work Organizations" (HPO) and CGS Subsection 32-450 requiring certain businesses receiving state assistance to provide "Annual Threshold Reports" on the company's progress in meeting the state's public policy objectives.

The Department of Economic & Community Development recommends the elimination of these reporting requirements based on the following factors:

- The Public Policy Objectives of both "*Threshold Projects*" and "*High Performance Work Organizations*" are the premise of all our assistance programs. Since the reports were codified in 1994, the business climate has changed significantly. Companies, in order to remain competitive have either met or exceeded all the public policy objectives found within the applications.



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- Current DECD practice and program development reflects the public policy intentions of both of these reports, to such a degree that recently passed business assistance programs, specifically the Job Extension Tax Credit (JET) administered by DECD, and the Subsidized Training and Employment program (STEP-UP) administered by the Department of Labor, codify the stated public policy objectives.
- A review of the public policy objectives spelled out for *High Performance Work Organizations* are consistent with effective management practices for a successful enterprise. But, participation and compliance with this statute is in fact optional. Businesses upon receipt of financial assistance have the option to comply with the statute. Therefore, DECD reporting is inconclusive and sporadic at best.
- The Annual Report requirement of the *Threshold Projects* statute is effectively implemented as part of the annual compliance review that all assistance agreements are subject to, and the Report itself serves no purpose within DECD. DECD must obtain reporting documentation from private companies and once received, they are merely placed in a file, demonstrating no benefit to the process from this point on.

In summary, House Bill 6468 will reduce unnecessary, onerous, and unenforceable statutes.

Thank you for considering the department's comments.



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*House Bill 6469:*  
***AN ACT CONCERNING CHANGES TO THE ANNUAL REPORT OF THE  
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT***

The Department of Economic and Community Development (DECD) offers the following comments in support of House Bill 6469: AN ACT CONCERNING CHANGES TO THE ANNUAL REPORT OF THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT.

As you are aware, our mission at DECD is to develop and implement strategies to increase the state's economic competitiveness. We do this by attracting and retaining businesses and jobs, revitalizing neighborhoods and communities, ensuring quality housing, and preserving and promoting cultural and tourism assets.

House Bill 6469 streamlines DECD's Annual Report. This recommended change in our approach proposes to duplicate an effective effort in 2006 that streamlined all reporting dates to one date, beginning February 1, 2014 as the annual reporting date. The current process in place has an end result of individual reports being sporadically reported on throughout the year. This proposal would consolidate these efforts into one document and sets the date at the beginning of the year, in time for the legislature to utilize in policy decisions.

DECD also plans to report on ALL of our programs in a customer-friendly format by utilizing a corporate like executive summary followed by supporting detail and pertinent numbers for each program.

The 2010/2011 Annual Report was 382 pages long, and requires DECD to report on many items that are not under the agency's purview. While we have made great improvements in our most recent annual report, this bill will save valuable staff time in production of the report and yield a document that is relevant and helpful to those who read it.

Thank you for considering the department's comments.

I urge your support.