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CITIZENS FOR ECONOMIC OPPORTUNITY  
*Corporate Responsibility Campaign*

## **H.B. 6566 – An Act Concerning Transparency in Economic Assistance Programs**

My name is Karen Schuessler and I am the Director of Citizens for Economic Opportunity (CEO). CEO is a coalition of community and labor groups addressing health care reform and corporate responsibility.

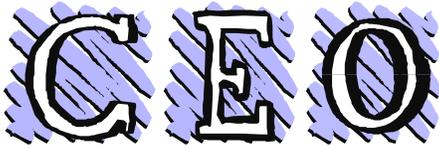
I strongly support H.B. 6566. Transparency in economic assistance programs is essential to ensure that taxpayers know how state financial assistance is being spent, how many jobs are being created and if there is an economic benefit to the state.

A December, 2012 analysis by the New York Times puts the national tab at more than \$80 billion a year in state and local taxpayer handouts to businesses and estimates that Connecticut's share of this "gigantic bill for taxpayers" is \$860 million annually. This includes low interest loans, tax breaks, and cash to encourage companies to locate or expand in Connecticut.

The Governor's initiative, the "First Five Program," was designed to attract new businesses to Connecticut and has given numerous companies millions of dollars. This includes \$21 million to Cigna for its Bloomfield expansion and \$18.7 million to ESPN for additions to its Bristol facility. When state dollars are given out, it is important that they are evaluated for effectiveness and that corporations receiving funding are creating well paying jobs.

An example of why more oversight is needed is because in 2012 Governor Malloy's office announced that Bridgewater Associates (an investment management firm based in Westport) would receive more than \$100 million in state aid for a new headquarters. This is troubling since the Institute for Policy Studies, citing a Forbes magazine study reported that a hedge fund manager at Bridgewater made \$3 billion in 2011. If he had paid ordinary income taxes on that money, he would have contributed \$450 million to the U.S. Treasury but most of the income received by hedge fund managers in Connecticut is considered earned interest and taxed at the capital gains rate of 15 percent. It is unconscionable that companies like Bridgewater are receiving \$100 million in state aid at the same time the company's founder made \$3 billion dollars.

According to an October 2011 report entitled, "Connecticut Economic Subsidies: Costly and Blunt," by Thomas Cafcas and Greg LeRoy of Good Jobs First (a policy resource center in Washington, D.C. that promotes corporate responsibility and accountability), a majority of the state's largest tax credit programs are not administered by the Department of Economic and Community Development. Rather they are claimed by companies when filing their state income tax returns. There is no transparency because DRS does not publish information about which companies receive subsidies, the size of the subsidies or whether the subsidies are creating jobs.



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In addition, even though the Department of Economic and Community Development has better oversight standards than the other controlling agencies, two-third of the state's economic development dollars (\$173 million in FY 2011) are spent outside of the jurisdiction of the DECD.

Arguments against transparency have included that this type of public disclosure would drive jobs out of the state. This is not true. According to another study by Greg LeRoy of Good Jobs First, entitled "The Great American Jobs Scam," businesses decide where to expand or relocate based on business basics –an affordable supply of key inputs and proximity to suppliers and customers. Subsidies rarely make a difference in deciding where to locate. Labor, transportation, utility and occupancy costs are the important factors in determining where to locate. It is an injustice that companies are getting subsidies to go where they would go anyway.

In this time of great fiscal challenge and deficits at the local, state and federal levels, we need this legislation (H.B. 6566) to be passed to ensure that economic assistance is transparent and that we have protections in place to enhance Connecticut's financial future.

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