

Testimony of Eric W. Gjede
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Testifying in Opposition to HB 5756 AA Requiring The Standard Wage Be Paid To Certain Employees Of Employers Who Received Financial Assistance From State Economic Development Entities

Good Afternoon Senator Osten, Representative Tercyak, and members of the Labor and Public Employees Committee. My name is Eric Gjede and I am assistant counsel at the Connecticut Business and Industry Association (CBIA) which represents more than 10,000 large and small businesses throughout the state of Connecticut.

HB 5756 requires businesses that receive \$500,000 or more in financial assistance from any state agency to pay the standard wage to any person (whether they are an employee of the businesses or not) providing food, building, property or equipment services job functions for the ten years after receiving such assistance. Failure to pay the standard wage results in a fine equal to the amount of financial assistance plus an additional five per cent of such amount. Financial assistance is broadly defined to include all forms of loans, grants, guarantees and tax abatements.

Proponents of this bill often refer to it as the “good jobs” bill – but in reality, it should be called the “no jobs” bill. This misleadingly titled proposal is so broad that it would apply to any business receiving tax credits from the Department of Revenue Services or other state agency for performing actions the state wishes to encourage – such as research and development or purchasing machinery, etc. This would have disastrous implications for businesses trying to take these tax credits into account while creating their long-term financial plan.

There are two types of businesses that receive financial assistance from our economic development agencies: businesses that for financial reasons do not qualify for assistance from a bank, and businesses that the state wants to incentivize to grow or attract to the state. This bill hurts both of those types of businesses.

For a struggling business, the state is usually the last resort when seeking the financial assistance it needs to keep its doors open and avoid job elimination. In exchange for a temporary injection of capital, this bill requires a struggling business to incur increased labor costs for ten years after the date of receiving financial assistance. In essence, rather than give a business the help it needs to recover and make itself strong in the long term, HB 5756 exacerbates the business’ long term financial outlook through increased labor costs. Higher labor costs means less jobs.

HB 5756 also discourages the state's ability to incentivize and promote businesses it wants to grow or attract to the state. Every state uses economic development assistance in order to attract certain types of businesses to the state. Requiring businesses that receive this assistance from Connecticut to pay higher wages to certain employees for ten years after receiving such assistance puts Connecticut at a competitive disadvantage. If we are serious about trying to create jobs in Connecticut – why would you support a bill that would give businesses one more reason to choose to go elsewhere?

We strongly urge members of the committee to oppose HB 5756 because it means more financial hardship for struggling businesses and makes the state less competitive for attracting new businesses.