



Department of Economic and
Community Development

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Catherine H. Smith
Commissioner

TESTIMONY BEFORE THE COMMERCE COMMITTEE
2/27/14

**RE: SB 23: AN ACT CONCERNING BENEFIT CORPORATIONS AND ENCOURAGING
SOCIAL ENTERPRISE**

Senator LeBeau, Representative Perone, Senator Frantz, Representative Lavielle and members of the Commerce Committee. I appreciate the opportunity to testify in support of SB 23: An Act Concerning Benefit Corporations and Encouraging Social Enterprise, and I commend Governor Malloy for including this bill as a centerpiece of his 2014 legislative package.

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, and preserving and promoting cultural and tourism assets.

Senate Bill 23 helps businesses intent on generating profits and providing a public benefit with a streamlined manner to incorporate legally as Benefit Corporations. Approximately twenty other states have already enacted similar legislation, and Connecticut would be well-served to do likewise.

The State of Connecticut is poised to realize significant benefits from this bill's passage. The establishment of such corporations will bring social entrepreneurs and new businesses to the state. By welcoming innovators to create Benefit Corporations in Connecticut, we will not only increase job creation, but also bring substantial benefit to our society and environment as a whole. Further, unlike non-profit entities, Benefit Corporations are subject to state taxes and fees. These entities seek to address community problems without relying on state or federal dollars, thereby freeing up much needed public resources.

The legislation before you includes various safeguards and reporting requirements to ensure transparency and accountability. The language states that Benefit Corporations must be structured in a way that requires the mixing of profits and purpose, while also requiring that they give annual benefit reports to their shareholders and are subject to third-party accounting of the public benefit they create. The "Legacy Provision" allows the Benefit Corporation to remain as a social enterprise in perpetuity or until liquidation, assuring that the goals initially conceived are protected from ownership or management changes.



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For the reasons enumerated above, I strongly encourage you to support SB 23. It is a measure that promises to have a lasting, positive societal and financial impact on the State of Connecticut for years to come.



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TESTIMONY BEFORE THE COMMERCE COMMITTEE
2/27/14

RE: SB 231: AN ACT INCREASING THE CAP ON THE URBAN AND INDUSTRIAL SITE TAX CREDIT AND THRESHOLD FOR LEGISLATIVE APPROVAL ON FINANCIAL ASSISTANCE

Senator LeBeau, Representative Perone, Senator Frantz, Representative Lavielle and members of the Commerce Committee. Thank you for the opportunity to testify in support of SB 231: An Act Increasing the Cap on the Urban and Industrial Site Tax Credit and Threshold for Legislative Approval on Financial Assistance.

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, and preserving and promoting cultural and tourism assets.

Senate Bill 231 will improve the agency's ability to effectively and efficiently negotiate business assistance deals, strengthen our efforts to attract and retain businesses, and create good paying jobs here in Connecticut. The legislation is informed by the agency's recent experiences in negotiations with "First Five" applicants and other recipients of DECD's financial assistance over the last few 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. Since the inception of these two programs, projects have increased dramatically in size and scope. The current triggers of \$10 million for legislative approval on MAA projects and \$20 million for URA projects are outdated and not in line with financial assistance packages that are currently being negotiated. Nor are they in line with the way other states' manage their economic development budgets, where annual budgets are provided to similar economic development agencies, and individual transactions are left to the discretion of the Commissioner.

These triggers constrain the agency's ability to negotiate agreements in a timely and effective manner. The First Five legislation (PA 11-86), which was approved by the legislature in 2011, recognized this fact. 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 that Connecticut maintains its competitive advantage relative to other states. SB 231 simply brings the thresholds up to date, better reflecting the intent of, and practice under, the original statute.



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Our assistance programs and incentives have all been created to provide the agency with the tools necessary to compete for the business and jobs that the state needs to maintain and strengthen our position in the global economy. As the economy changes, we must also adapt our programs to compete in the economy of the future.

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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TESTIMONY BEFORE THE COMMERCE COMMITTEE
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**Re: HB 5041: AN ACT CONCERNING INVESTMENT IN CONNECTICUT'S ADVANCED
MANUFACTURING BUSINESSES**

Senator LeBeau, Representative Perone, Senator Frantz, Representative Lavielle and members of the Commerce Committee. Thank you for the opportunity to testify in support of HB 5041: An Act Concerning Investment in Connecticut's Advanced Manufacturing Businesses.

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, and preserving and promoting cultural and tourism assets.

The Connecticut Advanced Manufacturing Fund promises to play an integral role in that mission. Specifically, it will assist Connecticut's manufacturing companies in making the innovative and strategic investments necessary to remain competitive, win vital new business, and grow jobs in the state. DECD will administer the fund with the support of an Advisory Committee composed of industry experts.

Initially, the fund will be capitalized with \$25 million and will have four critical components. First, the fund will support modernization and innovation for Connecticut's manufacturers, many of which are suppliers to the largest defense and aerospace companies. These companies often are relied upon to come up with innovative new materials, designs and manufacturing techniques. Therefore, our supply chain companies can only compete if they remain committed to continuous improvement. And they are not alone. All manufacturers need to make continuous investments in machinery and equipment to maintain their competitive edge.

Second, the fund will provide funding for educational/training programs and research collaborations. Workforce development is one of the most critical needs of our manufacturers. With a large percentage of the workforce retiring in the coming years, and with immediate need for skilled talent in many sectors, the fund will help promote training, longer term development of a skilled workforce and increased collaboration between universities, colleges and tech schools, and local manufacturers. In addition, the fund establishes a voucher program which will help manufacturers get access to some of the expertise they may currently lack in developing certain areas of technical support.



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Third, the fund will be used to leverage federal grants to support advancements in manufacturing in the state and region. Over the past two years, Connecticut, as a part of the New England region, has applied for large federal grants that will help the state build world-class engineering and manufacturing capabilities. The research would be done through collaboration between educational, private sector and public sector teams. The new fund will be the source of matching dollars, a requirement for federal funding.

Finally, the fund also creates Manufacturing Investment Districts in which manufacturers will be encouraged to locate and grow. Priority will be given to companies that locate in forty-two communities that are historic manufacturing hubs in Connecticut. Many of these communities are among the state's most distressed, and targeted assistance to these towns promises to have a positive impact on their economic development and employment rates.

It's a critical time for our manufacturing companies – the need for supply chain companies to step up and meet the demands of the large manufacturers (OEMs) is enormous. If we want to hold our position as the second highest state on manufacturing jobs per capita, we need to invest in this sector now.

From a mere language perspective, I would suggest one change to the legislation before you. House Bill 5041 requires DECD to provide an accounting of the activities of the Connecticut Advanced Manufacturing Fund to the Commerce Committee each year. We ask that any such accounting be allowed to be included in DECD's Annual Report as outlined in C.G.S. § 32-1m.

Thank you for considering the department's comments on this important new initiative. I am happy to take any questions at this time. I strongly urge your support.



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TESTIMONY BEFORE THE COMMERCE COMMITTEE
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**Re: HB 5270: AN ACT CONCERNING THE DELEGATION AUTHORITY OF THE
COMMISSIONER OF ECONOMIC AND COMMUNITY DEVELOPMENT**

Senator LeBeau, Representative Perone, Senator Frantz, Representative Lavielle and members of the Commerce Committee. Thanks for the opportunity to testify in support of HB 5270: An Act Concerning the Delegation Authority of The Commissioner 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, and preserving and promoting cultural and tourism assets.

C.G.S. § 8-37x is a housing statute that is proposed to be transferred this session to Department of Housing at the suggestion of the Attorney General's office. DECD has been using section (d) of § 8-37x as the means for the Commissioner to delegate statutory and regulatory responsibility as necessary for the department to carry out its mission effectively. As a result, a new statute needs to be created to account for the transfer of § 8-37x to the Department of Housing.

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



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TESTIMONY BEFORE THE COMMERCE COMMITTEE
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**RE: HB 5272: AN ACT CONSOLIDATING CERTIFIED HISTORIC STRUCTURE
REHABILITATION TAX CREDITS**

Senator LeBeau, Representative Perone, Senator Frantz, Representative Lavielle and members of the Commerce Committee. Thank you for the opportunity to testify in support of HB 5272: An Act Consolidating Certified Historic Structure Rehabilitation Tax Credits.

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, and preserving and promoting cultural and tourism assets.

HB 5272 falls squarely within that latter category – preserving and promoting cultural and tourism assets. Other state historic tax credit incentives administered by DECD closely follow the Federal Historic Tax Incentives program in an effort to leverage private investment and federal dollars. Additionally, other state historic tax credits do not restrict the rehabilitation of certain building types as C.G.S §10-416a and C.G.S §10-416b currently do. The substantive differences in restrictions between the federal and current state programs limit an applicant's ability to combine incentives and results in lost opportunities to preserve Connecticut's significant historic buildings. Merging C.G.S §10-416a and C.G.S §10-416b into one statute will correct significant differences between the state and federal programs and will create a more efficient historic tax credit program.

The real estate development community and statewide preservation organizations have long called for the changes proposed in HB 5272 in order to better utilize the program. Unifying the tax credits and removing the restrictions based on historic use of properties will provide greater flexibility in the utilization of the credits and further support for the economically beneficial rehabilitation of historic buildings for residential, commercial and mixed-use purposes.

As a result, I strongly urge your support.



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TESTIMONY BEFORE THE COMMERCE COMMITTEE
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**Re: HB 5273: AN ACT RESTORING THE COMMISSIONER OF ECONOMIC AND
COMMUNITY DEVELOPMENT'S DUTY TO DETERMINE WHETHER SURPLUS STATE
PROPERTY CAN BE USED FOR ECONOMIC DEVELOPMENT PURPOSES**

Senator LeBeau, Representative Perone, Senator Frantz, Representative Lavielle and members of the Commerce Committee. Thanks for the opportunity to testify in support of HB 5273: An Act Restoring the Commissioner of Economic and Community Development's Duty to Determine Whether Surplus State Property Can Be Used for Economic Development Purposes.

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, and preserving and promoting cultural and tourism assets.

Legislation during last year's session, PA 13-234, substituted the newly created Department of Housing in lieu of DECD in C.G.S. § 4b-21 – a surplus state property statute. One aspect of the change, pertaining to emergency shelters and transitional living facilities, was warranted. However, § 4b-21 needs to be modified to restore the determination of whether surplus state property can be used or adapted for economic development purposes back to DECD's purview. HB 5273 makes the requisite modification.

As a result, I encourage your support.



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TESTIMONY BEFORE THE COMMERCE COMMITTEE

2/27/14

Re: SB 142: AN ACT REQUIRING THE CONSIDERATION OF UNEMPLOYMENT RATES OF MUNICIPALITIES WHEN MAKING ALLOCATIONS UNDER STATE ECONOMIC INCENTIVE PROGRAMS

HB 5275: AN ACT CONCERNING THE LEARN HERE, LIVE HERE PROGRAM AND BUSINESS CREATION

Senator LeBeau, Representative Perone, Senator Frantz, Representative Lavielle and members of the Commerce Committee. Thanks for the opportunity to testify on two bills before you here today: SB 142 and HB 5274.

Senate Bill 142 would require that the unemployment rates of municipalities be considered when making allocations under any state economic incentive program. The Committee should be aware that we at the Department of Economic and Community Development already take into account unemployment levels before we award financial incentives. In competitive programs, such as our Brownfields funding, priority is given to municipalities with higher unemployment rates, and due to our concern about this issue we have also recently undertaken a concerted outreach effort with programs, such as Small Business Express, to ensure that business owners in our urban and distressed areas are aware of their availability and to facilitate additional assistance to those communities. Because of those existing initiatives and considerations, we do not feel legislation is required to keep us focused on those areas.

House Bill 5275 would require that DECD establish the Learn Here, Live Here Program. While the goals of the program – to incentivize recent graduates to buy a home or establish a business in the state – are certainly laudable, we at DECD are concerned that this legislation amounts to an unfunded mandate. At present, we do not have the funding and requisite personnel to implement the program.

Thanks for allowing me to share some thoughts on these two pieces of legislation. I appreciate, in advance, your due consideration.