



Department of Economic and
Community Development

Connecticut
still revolutionary

Catherine H. Smith
Commissioner

TESTIMONY BEFORE THE FINANCE, REVENUE AND BONDING COMMITTEE
4/15/15

RE: HB 7055: AN ACT CONCERNING CONNECTICUT FIRST

Senator Fonfara, Representative Berger, Senator Frantz, Representative Davis and members of the Finance, Revenue, and Bonding Committee. I appreciate the opportunity to testify on HB 7055: An Act Concerning Connecticut First.

Among its aims, HB 7055 seeks to establish or extend various tax credits to incentivize investment in brownfield remediation, urban revitalization, and various start-up and small businesses. As you may be aware, several of the Department of Economic and Community Development's (DECD) programs already address many of the goals of this proposed legislation.

For instance DECD's brownfield programs are at the forefront of the agency's efforts to revitalize Connecticut's cities and neighborhoods. Through these programs, DECD has helped to reactivate contaminated properties in every corner of the State. DECD's brownfield clean-up investments have leveraged substantial private capital and are helping to bring numerous properties back onto the tax rolls and into productive use. Connecticut has become a national leader in the effort to remediate brownfields; since 2012, the State has invested or committed more than \$110 million to remediation. By comparison, in the life of the federal EPA brownfield program, dating to 1995, just \$190 million has been invested nationwide. Connecticut's investments have attracted significant non-state funding as well. For every dollar contributed by the state, non-state partners have invested nearly \$4.

DECD's Small Business Express Program (EXP), created in the bipartisan 2011 Jobs Bill, was born out of the Great Recession of 2008, which made it difficult for small businesses to access capital. EXP has helped meet that need through revolving loans, job-creation forgivable loans, and matching grants to companies that grow jobs in all of Connecticut's cities and towns. To date, over 1,300 businesses have received more than \$191 million in assistance through the program; they have committed to create or retain almost 19,000 jobs. Yet, there is always room for improvement. In HB 6827, the Governor has recommended important changes to the program to allow DECD to better target our most economically disadvantaged and underserved populations in high unemployment areas. Among the changes, DECD will be permitted to offer smaller grants and loans, better serve start-ups and entrepreneurs, and collaborate more with private banks to expand access to capital for small businesses located in the state. Further, the changes the Governor's bill encompasses will help us to better serve the



highest unemployment rates in the state and put a greater focus on reaching minority owned businesses. We believe that we need to make our programs simple and easy to use. By adding multiple new initiatives, we may actually discourage organizations from seeking out our support due to complexity and multiple distribution channels.

The Urban and Industrial Sites Reinvestment Tax Credit Program (URA) is another powerful economic development tool that DECD has at its disposal. The program is designed to drive investment to the state's urban centers and other economically distressed communities without depleting valuable state bond dollars. Under the program, the state may provide up to \$100 million in tax credits over a ten-year period to support projects that create significant jobs and capital investment in these underserved areas. A recent study of URAs revealed that from 2003-2012 the program created an annual average of 3,113 new direct jobs per year, 6,700 indirect jobs per year, and \$78 million in new net revenue.

This program is successful in large measure because of the requirements imposed on recipients to make capital investments and create jobs. If they do, they get access to tax credits; if they do not, no credits are available to them. This approach should be taken for any tax credits we create in the future – including any created out of this bill.

Finally, DECD's Enterprise Zone tax program is an additional initiative that is intended to drive investment to targeted, distressed communities. Connecticut was the first state in the nation to create Enterprise Zones to encourage the re-use of the state's established industrial areas. A recent analysis of this program shows that it, too, results in net new revenue to the state and leads to job creation – ranging from 651 to 1,976 jobs per year from 2010-2012. Adding a competing program could confuse the marketplace, be challenging to administer, and cost the state in lost revenue – while not substantially increasing the impact on jobs or local economic conditions.

As these examples clearly illustrate, DECD has various tools at its disposal to clean-up contaminated properties, invest in urban revitalization, and serve various start-up and small businesses. We at DECD look forward to working closely with the Finance Committee as it considers HB 7055 to ensure that bill avoids any unnecessary duplication of the programs we already offer. Further, we hope to be part of a broader conversation on tax credits and other economic development initiatives as the committee continues its work this session.

Thank in advance for your consideration of our comments.