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Commissioner

***TESTIMONY PRESENTED TO THE APPROPRIATIONS
COMMITTEE***

March 2, 2015

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FY2016-FY2017 Budget Presentation

Good morning Senator Bye, Representative Walker, and members of the committee. My name is Catherine Smith, and I am commissioner of the Department of Economic and Community Development (DECD). Thank you for this opportunity to appear before you concerning Governor Malloy's proposed biennial budget for economic and community development.

As you know, 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 next two budget years will be challenging and some difficult choices will need to be made. However, Governor Malloy's proposed budget for FY2016-FY2017 demonstrates that economic development continues to be a top priority of this administration and for the state as a whole.

Notably, the Governor's budget includes an additional \$50 million per year in bonding to fully fund DECD's Small Business Express Program (EXP), which was created out of the bipartisan 2011 Jobs Bill. Connecticut's economy is reliant on main street and mainstream businesses to provide fundamental services to our citizens. The Great Recession in 2008 made it difficult for these 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, nearly 1,300 businesses have received more than \$181 million in assistance through the program; they have committed to create or retain almost 18,000 jobs. Yet, there is always room for improvement. 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, as well as more entrepreneurs and



start-ups. Among the changes, DECD will be permitted to offer smaller grants and loans, fund companies that have been in business less than a year, and collaborate more with private banks to expand access to capital for small businesses located in the state.

With the inclusion of \$100 million in bonding for the program, the Governor's budget also makes important investments in the Manufacturing Assistance Act (MAA), which is DECD's primary source for providing direct financial assistance to businesses. MAA was created by the legislature in 1990 to strengthen the state's economy by supplying assistance to businesses for eligible economic development projects. Since 2011, MAA funding has been used to create/retain more than 27,000 jobs across the state.

The budget's authorization of \$25 million in bond funding for the newly established Connecticut Manufacturing Innovation Fund further demonstrates the Governor's commitment to growing jobs and strengthening the state's economy. This exciting initiative, administered by DECD, is targeting financial assistance to support the growth, innovation and progress of Connecticut's advanced manufacturing sector. It will assist manufacturers with equipment, research and development, and training. Among other goals, it promises to encourage company/university research efforts, help companies access workforce development training and educational programs, and attract new manufacturers to the state. The new "Voucher Program" is up and running, and is already helping smaller manufacturers invest in innovation.

The budget includes \$10 million of additional bond funding in each of the next two years to continue the state's unprecedented commitment to remediating brownfields. Since FY2012, Governor Malloy and the General Assembly have allocated substantial resources to reactivating brownfields, with more than \$110 million of funded or committed projects under way. These investments have leveraged significant non-state funding as well; for every dollar contributed by the state, non-state partners have invested \$3.43.

Beyond its support for the economic development tools that DECD utilizes to assist Connecticut businesses and municipalities, the Governor's budget also highlights the importance of tourism. The tourism sector is a thriving and crucial component of Connecticut's economy, directly employing more than 80,000 people. In the last four years, the tourism sector has added nearly 5,000 new jobs. The hotel tax, largely driven by business and recreational visitors, contributes more than \$100 million to the General Fund every year. Notably, the budget includes \$10 million dollars to support the state's tourism and business development marketing efforts. DECD's statewide marketing and advertising stimulates and fosters the state's brand identity and encourages visitors to come to Connecticut. After a number of years during which Connecticut was the only state in the region to have allocated only one dollar for marketing, Governor Malloy and the General Assembly have committed significant resources in recent budgets. The tourism campaign is having a significant impact on the state's brand and perception; since the launch of the *still revolutionary* campaign, awareness of Connecticut as a state



to visit increased 49%, and potential visitors reported an 18% greater interest in visiting the state. The funding the Governor has included in this year's budget will maintain a strong statewide approach in promoting Connecticut and all it has to offer.

Although a number of individual arts and cultural organizations that have historically had their own line items in DECD's budget no longer do, we are confident that we can continue to serve these organizations effectively. The \$5.7 million dollars allocated to the Arts Commission represents a \$4 million dollar increase over FY2015 and will allow DECD to offer more grant funding on a competitive basis to deserving entities. Over the years, DECD has invested in numerous Connecticut artists and arts organizations and encouraged the public's participation as creators, learners, supporters and audience members – connecting people to the arts and helping to build vibrant communities across the state. In FY2015, DECD has awarded \$920,000 in sustaining support to 152 arts organizations throughout the state and an additional \$950,000 for 43 community-based, collaborative arts projects. These competitive pools are managed in a fair and efficient process where an outside panel of experts advises DECD and our Arts Council on which individuals/organizations to fund. The positive outcomes of these grants include a 64% improvement in student proficiency on the K-12 Arts Learning Standards for more than 2000 Hartford students; public art created by more than 1,700 public participants raising awareness of water conservation in Stamford, New Haven, Willimantic and New London; and the recording, presentation, and community discussion of residents' experiences living in public housing in Fairfield County.

Connecticut's remarkable historic buildings and sites remind us of who we are, where we've been, and – by giving us that perspective – help us to see where we're going. Preserving these places and connecting people with our state's proud history is critical to inspiring our future successes. Since January 2014, DECD has awarded more than \$5 million for preservation planning and restoration projects to ensure that historic places continue to support the economic vitality of our cities, towns and villages.

Arts and culture investments have come not only from DECD's operating budgets, but also from the numerous Small Town Economic Assistance Program (STEAP) and Urban Act grants that the agency has administered. DECD is currently overseeing more than \$55 million of these capital improvement projects in partnership with Connecticut arts, cultural and historic institutions throughout the state. Those investments have also come from the Connecticut Arts Endowment Fund (CAEF). The CAEF was established by the state to stimulate the development of private sector funding and help stabilize arts institutions. In FY2014 alone, DECD distributed more than \$500,000 through the endowment to 110 arts organizations across Connecticut.

I hope that this brief presentation has given you a better understanding of the budget picture at DECD. In short, we believe that the Governor's current budget proposal will provide us with the necessary funding to carry out DECD's mission. We may have to be more creative and efficient at using the resources at our disposal, particularly in the areas



Department of Economic and
Community Development



of arts and culture, but we are confident that we can continue to help the state prosper and grow.

As a result, I respectfully request the committee's support for the Governor's proposals. I also look forward to working with you to implement DECD's budget.

Thank you in advance for your consideration. I am happy to answer any questions that you have at this time.