



**Senate Bill No. 601**

**September Special Session, Public Act No. 16-1**

**AN ACT CONCERNING THE CONNECTICUT STRATEGIC DEFENSE INVESTMENT ACT.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective from passage*) (a) As used in this section:

(1) "Aerospace manufacturing project" means a project involving the production of helicopters in this state that, if certified by the commissioner as provided in subsection (b) of this section, will require primary helicopter production for current United States government programs, as of the date of the assistance agreement, to be carried out at a facility in this state and minimum expenditure requirements for aggregate payroll and supplier spend base levels, together with minimum employment requirements and capital expenditure targets in this state by an eligible taxpayer in furtherance of such project over a period of not less than fourteen years.

(2) "Assistance agreement" means a contract entered into between the commissioner and an eligible taxpayer, in accordance with subsection (c) of this section, including any amendments to or extensions of such contract.

(3) "Capital expenditure" means bona fide costs to the wholly-owned subsidiary and its subsidiaries for: (A) Acquisition of lands,

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buildings, machinery, equipment or any combination thereof, (B) site and infrastructure improvements, (C) planning costs, (D) research and development expenses, as defined in section 12-217n of the general statutes, including, but not limited to, development of new products and markets, and (E) development of diversification strategies, including plans for regional diversification strategies and consultants required for the completion of such strategies and plans.

(4) "Commissioner" means the Commissioner of Economic and Community Development.

(5) "Company" means an entity with a place of business or wholly-owned subsidiary located in this state and the direct and indirect subsidiaries and affiliates of such entity.

(6) "Compliance year" means each twelve-month period commencing July first and continuing through June thirtieth of the following year, provided the initial compliance year shall commence on July 1, 2018, and end on June 30, 2019. "Annual" shall refer to a compliance year.

(7) "Eligible taxpayer" means a company that, at the time application is made under subsection (b) of this section, (A) is engaged in the aerospace industry, (B) employs not less than six thousand individuals in this state, (C) operates the company's primary helicopter production facility for its current United States government programs in this state, (D) plans to bid on a low-rate production contract with the federal government for a helicopter, and (E) has a wholly-owned subsidiary with production facilities and its headquarters, as defined in the assistance agreement, in Connecticut prior to the effective date of this section.

(8) "Employee base level" means (A) for compliance years commencing on or after July 1, 2018, and prior to July 1, 2023, a base

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level of full-time employees in this state that is not less than an average of six thousand five hundred for each compliance year, and (B) for compliance years commencing on or after July 1, 2023, and prior to the conclusion of the assistance agreement, a base level of full-time employees in this state that is not less than an average of seven thousand for each compliance year, provided the average number of full-time employees for each compliance year shall be determined by adding the number of full-time employees at the end of each quarter of the respective compliance year and dividing the sum of such quarters by four.

(9) "Full-time employee" means an employee in this state of the company who works for a minimum of thirty-five hours per week. "Full-time employee" does not include an employee working on a temporary or seasonal basis or any individual who does not receive a federal Form W-2 from the company.

(10) "Minimum requirements" means the minimum conditions that the eligible taxpayer must satisfy during each compliance year to qualify for the annual grants for such compliance year described in subsection (e) of this section and the sales and use tax offset for such compliance year, described in subsection (d) of this section, including, but not limited to, achieving the employee base level, the payroll base level, the supplier spend base level, the maintenance of the wholly-owned subsidiary's headquarters, as defined in the assistance agreement, in Connecticut and the maintenance and operation of the company's primary helicopter production facility for its current United States government programs, as of the date of the assistance agreement, in this state.

(11) "Payroll base level" means (A) for compliance years commencing on or after July 1, 2018, and prior to July 1, 2023, a base level of aggregate gross pay for full-time employees in this state that is not less than six hundred eleven million dollars for each compliance

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year, and (B) for compliance years commencing on or after July 1, 2023, and prior to the conclusion of the assistance agreement, a base level of aggregate gross pay for full-time employees in this state that is not less than seven hundred million dollars for each compliance year.

(12) "Production" means the various operations related to the completion of a helicopter, including, but not limited to, procurement, engineering, manufacture, assembly, integration and testing.

(13) "Regular place of business" means any bona fide office, factory, warehouse or other space in this state at which a supply company is doing business in its own name in a regular and systematic manner, and which place is continuously maintained, occupied and used by the supply company in carrying on its business through its employees regularly in attendance to carry on the supply company's business in the supply company's own name. "Regular place of business" does not include a place of business for a statutory agent for service of process, or a temporary office or location used by the supply company only for the duration of the contract or an office maintained, occupied and used by a person affiliated with the supply company.

(14) "Supply company" means any commercial business with a regular place of business in this state that supplies goods and services necessary to support (A) the manufacturing of company products, or (B) company operations. "Supply company" does not include any local, state or federal revenue collection or taxing entity.

(15) "Supplier spend base level" means a total annual spend by the wholly-owned subsidiary with its supply companies in this state of not less than: (A) Three hundred million dollars for compliance years commencing on or after July 1, 2018, and prior to July 1, 2024; (B) four hundred ten million dollars for compliance years commencing on or after July 1, 2024, and prior to July 1, 2029; and (C) four hundred seventy million dollars for compliance years commencing on or after

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July 1, 2029, and prior to the conclusion of the assistance agreement, provided: (i) if an expenditure qualifies both for the supplier spend base level and the capital expenditures target, the eligible taxpayer may choose between such categories for which such expenditure may be counted, and (ii) in no event shall any such expenditure be counted toward more than one such category.

(16) "Sales and use tax" means the taxes due under chapter 219 of the general statutes.

(17) "Sales and use tax offset" means the offset described in subsection (d) of this section.

(18) "Wholly-owned subsidiary" means a subsidiary of the company, or such subsidiary's successor to its operations, that has its headquarters, as defined in the assistance agreement, in Connecticut. "Wholly-owned subsidiary" includes any direct or indirect subsidiary of the company's wholly-owned subsidiary, and any limited liability company wholly owned directly or indirectly by the company's wholly-owned subsidiary.

(b) (1) Any eligible taxpayer that intends to undertake an aerospace manufacturing project may apply to the commissioner for certification of such project as a certified aerospace manufacturing project. In order to receive such certification, an eligible taxpayer shall apply to the commissioner, in a form acceptable to the commissioner and include such information as prescribed by the commissioner, including, but not limited to, (A) a detailed plan outlining the aerospace manufacturing project, (B) the term of such project, and (C) the estimated expenditures for such project. The commissioner may require such eligible taxpayer to submit such additional information as may be necessary to evaluate the application.

(2) All decisions of the commissioner with respect to any application

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received under subdivision (1) of this subsection shall be made in the commissioner's discretion. The provisions of this subsection shall not be construed to authorize suit against this state by any taxpayer that is denied certification by the commissioner and shall not be construed as a waiver of sovereign immunity.

(c) (1) Upon certification by the commissioner of an application as provided in subsection (b) of this section, the commissioner may enter into an assistance agreement with an eligible taxpayer pursuant to which the commissioner may, in consideration of the eligible taxpayer's agreement to meet the minimum requirements in a compliance year in connection with the certified aerospace manufacturing project, and as further inducement for the eligible taxpayer to enter into an aerospace manufacturing project, agree to make certain grants to the eligible taxpayer and permit the eligible taxpayer to offset its sales and use tax liability up to a specified amount for the corresponding compliance year. Such assistance agreement shall list: (A) The specifications of the certified aerospace manufacturing project; (B) the length of time the certified aerospace manufacturing project will take to complete; (C) the minimum requirements the eligible taxpayer agrees to meet during each compliance year; (D) the commitment by the eligible taxpayer to maintain the headquarters, as defined in the assistance agreement, of the wholly-owned subsidiary or its successor in Connecticut and to operate the eligible taxpayer's primary helicopter production facility for its current United States government programs, as of the date of the assistance agreement, in Connecticut; (E) the grants, as determined in accordance with the provisions of subsection (e) of this section, that the eligible taxpayer is eligible to receive during the term of the assistance agreement based on meeting the minimum requirements, and the terms and conditions the eligible taxpayer is required to satisfy in order to receive such grants, including, but not limited to, the information required to be submitted to the commissioner by the

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eligible taxpayer and provisions for the commissioner to access relevant records of the eligible taxpayer and to verify the accuracy of such records; (F) the terms and conditions of the repayment of any grants, and other required financial penalties resulting from the failure on the part of the eligible taxpayer to comply with the terms of the assistance agreement; (G) the amount of sales and use tax, subject to the limitations set forth in subsection (d) of this section, that the eligible taxpayer is eligible to offset for each compliance year set forth in the assistance agreement, provided the eligible taxpayer meets the minimum requirements for each such compliance year; (H) the terms and conditions of the repayment of any such sales and use tax offsets, and other required financial penalties resulting from the failure on the part of the eligible taxpayer to otherwise comply with the terms of the assistance agreement; (I) the manner and method for the eligible taxpayer to provide notice of any disputed claim under the assistance agreement; and (J) any other terms and conditions the commissioner may require.

(2) Any eligible taxpayer that enters into an assistance agreement with the commissioner under this subsection may, in the event of any disputed claims under such assistance agreement, bring an action against this state to the superior court for the judicial district of Hartford for the purpose of having such claim determined, provided notice of any such disputed claim is first given to the commissioner in the manner and method described in such assistance agreement. No such action shall be allowed unless it is brought not later than two years after the date on which the eligible taxpayer gave proper notice to the commissioner in accordance with such assistance agreement. All legal defenses under such assistance agreement, except sovereign immunity, are reserved to this state.

(3) If the provisions of subsection (c) or (e) of section 32-223 of the general statutes or section 32-462 of the general statutes are in conflict

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with such assistance agreement, the provisions of such assistance agreement shall supersede.

(d) (1) The assistance agreement may provide for the offset of sales and use tax amounts otherwise payable by the eligible taxpayer under the provisions of chapter 219 of the general statutes. The offset of sales and use taxes shall be made in the form, timing and manner determined by the commissioner in consultation with the Commissioner of Revenue Services. The offset of sales and use tax amounts shall be calculated after the application of all other sales and use tax exemptions set forth in chapter 219 of the general statutes in effect on the effective date of this section and any subsequent amendments to chapter 219 of the general statutes. Nothing in this subsection shall affect the eligible taxpayer's ability to claim the sales and use tax exemptions it otherwise qualifies for under any provision of the general statutes.

(2) The amount of sales and use tax liability that the commissioner may permit an eligible taxpayer to offset for any certified aerospace manufacturing project shall not exceed five million seven hundred fourteen thousand dollars per compliance year, nor exceed eighty million dollars in the aggregate over the term of the assistance agreement, provided if such eligible taxpayer's actual sales and use tax liability is less than five million seven hundred fourteen thousand dollars in any compliance year, the eligible taxpayer may carry forward, for a period not to exceed three years, the difference between (A) five million seven hundred fourteen thousand dollars in addition to any carry-forward from prior years, and (B) the eligible taxpayer's actual sales and use tax liability for such compliance year after applying any exemptions allowed pursuant to chapter 219 of the general statutes. The carry forward amount shall be utilized on a first earned, first used basis, prior to the use of any current year offset by the eligible taxpayer to offset its sales and use tax liability in excess of



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the five million seven hundred fourteen thousand dollar annual limitation. At the end of each compliance year, the commissioner shall notify the Commissioner of Revenue Services whether the eligible taxpayer has met all minimum requirements necessary to qualify for the offset or is required to repay such amount in accordance with the terms of the assistance agreement.

(e) The commissioner shall make grants to an eligible taxpayer subject to an assistance agreement for the achievement of employment, payroll, supplier spend, capital expenditures and performance incentive targets and the satisfaction of other minimum requirements in accordance with this subsection.

(1) For each compliance year, the commissioner shall make an employment grant equal to the maximum grant for achieving the employment target for the company in accordance with the table contained in this subdivision, except that if the average number of full-time employees is less than the employment target for a compliance year, the employment grant shall be such maximum grant reduced by an amount equal to such maximum grant multiplied by a fraction, the numerator of which shall be the employment target in this state less actual employment in this state and the denominator of which shall be the employment target in this state less the employee base level in this state, in accordance with the table contained in this subdivision.

Compliance Year Ending	Employee Base Level Required for a Grant	Employment Target	Maximum Grant for Achieving the Employment Target
6/30/2019	6,500	7,084	\$2,142,857
6/30/2020	6,500	6,684	2,142,857
6/30/2021	6,500	6,582	2,142,857
6/30/2022	6,500	6,696	2,142,857
6/30/2023	6,500	6,978	2,142,857
6/30/2024	7,000	7,276	2,142,857

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6/30/2025	7,000	7,537	2,142,857
6/30/2026	7,000	7,720	2,142,857
6/30/2027	7,000	7,773	2,142,857
6/30/2028	7,000	7,773	2,142,857
6/30/2029	7,000	7,773	2,142,857
6/30/2030	7,000	7,794	2,142,857
6/30/2031	7,000	7,924	2,142,857
6/30/2032	7,000	8,032	2,142,857

(2) For each compliance year, the commissioner shall make a payroll grant equal to the maximum grant for achieving the total payroll target by the company in accordance with the table contained in this subdivision, except if the actual total payroll for full-time employees in this state is less than the total payroll target for a compliance year, the payroll grant shall be such maximum grant reduced by an amount equal to such maximum grant multiplied by a fraction, the numerator of which shall be the total payroll target in this state less actual total payroll in this state and the denominator of which shall be the total payroll target in this state less payroll base level in this state, in accordance with the table contained in this subdivision.

Compliance Year Ending	Payroll Base Level Required for a Grant	Total Payroll Target	Maximum Grant for Achieving the Total Payroll Target
6/30/2019	\$611,000,000	\$681,000,000	\$2,142,857
6/30/2020	611,000,000	655,500,000	2,142,857
6/30/2021	611,000,000	658,500,000	2,142,857
6/30/2022	611,000,000	680,000,000	2,142,857
6/30/2023	611,000,000	718,500,000	2,142,857
6/30/2024	700,000,000	763,000,000	2,142,857
6/30/2025	700,000,000	806,000,000	2,142,857
6/30/2026	700,000,000	842,000,000	2,142,857
6/30/2027	700,000,000	864,500,000	2,142,857
6/30/2028	700,000,000	882,000,000	2,142,857
6/30/2029	700,000,000	900,000,000	2,142,857
6/30/2030	700,000,000	920,500,000	2,142,857

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6/30/2031	700,000,000	954,500,000	2,142,857
6/30/2032	700,000,000	986,770,000	2,142,857

(3) (A) For each compliance year, the commissioner shall make a supplier spend grant equal to the maximum grant earned for achieving the supplier spend target by the wholly-owned subsidiary in accordance with the table contained in this subparagraph, except if the supplier spend is less than the supplier spend target for a compliance year, the supplier spend grant shall be such maximum grant reduced by an amount equal to such maximum grant multiplied by a fraction, the numerator of which shall be the supplier spend target in this state less actual supplier spend in this state and the denominator of which shall be the supplier spend target in this state less supplier spend base level in this state, in accordance with the table contained in this subparagraph.

Compliance Year Ending	Supplier Spend Base Level Required for a Grant	Supplier Spend Target	Maximum Grant Earned for Achieving the Supplier Spend Target
6/30/2019	\$300,000,000	\$353,602,014	\$2,142,857
6/30/2020	300,000,000	328,497,198	2,142,857
6/30/2021	300,000,000	333,053,331	2,142,857
6/30/2022	300,000,000	362,668,196	2,142,857
6/30/2023	300,000,000	400,028,488	2,142,857
6/30/2024	300,000,000	433,743,873	2,142,857
6/30/2025	410,000,000	469,737,325	2,142,857
6/30/2026	410,000,000	497,825,886	2,142,857
6/30/2027	410,000,000	522,717,180	2,142,857
6/30/2028	410,000,000	548,853,039	2,142,857
6/30/2029	410,000,000	576,295,691	2,142,857
6/30/2030	470,000,000	605,110,475	2,142,857
6/30/2031	470,000,000	635,365,999	2,142,857
6/30/2032	470,000,000	667,134,299	2,142,857

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(B) The wholly-owned subsidiary may, in a compliance year in which it has exceeded the applicable supplier spend target, carry forward on a first earned, first used basis, and apply the difference between the supplier spend target and the actual supplier spend to increase the actual supplier spend amount in any of the subsequent three compliance years.

(4) (A) For each compliance year, the commissioner shall make the grant earned for capital expenditures made in this state if the wholly-owned subsidiary has achieved ninety per cent of the capital expenditures target set forth in the table contained in this subparagraph.

Compliance Year Ending	Capital Expenditures Target	Grant Earned for Capital Expenditures
6/30/2019	\$76,000,000	\$2,142,857
6/30/2020	76,000,000	2,142,857
6/30/2021	76,000,000	2,142,857
6/30/2022	76,000,000	2,142,857
6/30/2023	78,000,000	2,142,857
6/30/2024	79,000,000	2,142,857
6/30/2025	81,000,000	2,142,857
6/30/2026	82,000,000	2,142,857
6/30/2027	84,000,000	2,142,857
6/30/2028	86,000,000	2,142,857
6/30/2029	87,000,000	2,142,857
6/30/2030	89,000,000	2,142,857
6/30/2031	91,000,000	2,142,857
6/30/2032	93,000,000	2,142,857

(B) The wholly-owned subsidiary may, in a compliance year where it has exceeded the capital expenditures target amount, carry forward on a first earned, first used basis, and apply the difference between the actual capital expenditures amount and the capital expenditures target amount to increase the actual capital expenditures amount in any of the subsequent three compliance years.

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(5) (A) The eligible taxpayer shall be eligible, in accordance with the terms of the assistance agreement, to receive annual performance incentive grants for any compliance year as set forth in this subdivision based on such eligible taxpayer exceeding the requisite employment target and total payroll target thresholds and meeting all requirements with respect to average payroll per employee, as defined in the assistance agreement. Each annual performance incentive grant shall be equal to the number of full-time employees in excess of the employment target for that compliance year multiplied by the per employee grant amount. Such annual performance incentive shall total not more than the maximum performance incentive per compliance year set forth in the table contained in this subparagraph.

Compliance Year Ending	Per Employee Grant Amount	Maximum Performance Incentive Per Compliance Year	Number of Jobs Required to Receive Maximum
6/30/2019	\$3,500	\$ 350,000	100
6/30/2020	3,500	525,000	150
6/30/2021	3,500	875,000	250
6/30/2022	3,500	1,050,000	300
6/30/2023	3,500	1,225,000	350
6/30/2024	3,500	1,400,000	400
6/30/2025	3,500	1,750,000	500
6/30/2026	3,500	1,750,000	500
6/30/2027	3,500	1,750,000	500
6/30/2028	3,500	1,750,000	500
6/30/2029	3,500	1,800,000	515
6/30/2030	3,500	1,925,000	550
6/30/2031	3,500	1,925,000	550
6/30/2032	3,500	1,925,000	550

(B) The aggregate amount of all annual performance incentives awarded under this subdivision shall not exceed twenty million dollars.

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(6) Notwithstanding the provisions of subdivisions (1) to (5), inclusive, of this subsection, if an eligible taxpayer fails to meet the minimum requirements for a compliance year, the commissioner shall not make any grant to such eligible taxpayer for such compliance year.

(7) Notwithstanding the provisions of subdivisions (1) to (5), inclusive, of this subsection, where federal government action necessitates changes to the production schedule, the commissioner may deviate from the tables in this subsection in a manner proportional to such revised production schedule. The commissioner shall file a report with the committees of cognizance of the General Assembly within fifteen days describing such deviation.

(8) The eligible taxpayer shall certify, subject to a third-party audit performed in accordance with the Department of Economic and Community Development Audit Guide, the actual employment, payroll, supply spend and capital expenditure amounts to the commissioner in accordance with the requirements of the assistance agreement.

(9) The aggregate amount of all grants made by the commissioner under this subsection shall not exceed one hundred forty million dollars.

(f) To provide incentives for the retention and creation of jobs and business growth in this state, the commissioner shall analyze and may seek additional legislative approval, as appropriate, for programs permitting taxpayers to offset sales and use tax liability in manners not otherwise provided for under this section.

(g) (1) The commissioner shall include in the report required pursuant to section 32-1m of the general statutes an annual report that shall include information on the number of projects certified under this section, the status of such certified projects and the specific levels

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achieved by each eligible taxpayer under subdivisions (1) to (4), inclusive, of subsection (e) of this section.

(2) Not later than October 1, 2021, and every three years thereafter until the conclusion of the assistance agreement, the commissioner shall report in accordance with the provisions of section 11-4a of the general statutes to the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding and commerce on the number of projects certified under this section, the status of such certified projects and the specific levels achieved by each eligible taxpayer under subdivisions (1) to (4), inclusive, of subsection (e) of this section. Said committees shall conduct a joint informational hearing following the submission of each such report at which the commissioner shall present such report and be available for questions from the members of said committees.

(h) The commissioner shall not enter into any assistance agreement under subsection (c) of this section after January 31, 2017.

Sec. 2. (NEW) (*Effective from passage*) (a) The State Bond Commission shall authorize the issuance of bonds of this state, in accordance with the provisions of section 3-20 of the general statutes, in principal amounts not exceeding in the aggregate one hundred forty million dollars for the grants described in subsection (e) of section 1 of this act. The amount authorized for the issuance and sale of bonds in accordance with this section shall not exceed the amount authorized in each fiscal year in the following amounts, provided the costs of issuance and capitalized interest, if any, may be added to the capped amount in each fiscal year, and each of the authorized amounts shall be effective on July first of the fiscal year indicated as follows:

Fiscal Year Ending June 30	Amount
2017	\$ 8,921,436
2020	9,096,428

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2021	9,446,428
2022	9,621,428
2023	9,796,428
2024	9,971,428
2025	10,321,428
2026	10,321,428
2027	10,321,428
2028	10,321,428
2029	10,371,428
2030	10,496,428
2031	10,496,428
2032	10,496,428
Total	\$140,000,000

(b) The State Bond Commission shall approve a memorandum of understanding between the Department of Economic and Community Development and this state, acting by and through the Secretary of the Office of Policy and Management and the Treasurer, providing for the issuance of such bonds for the purposes of the grants described in subsection (e) of section 1 of this act, including provisions regarding the extent to which federal, private or other moneys then available or thereafter to be made available for costs should be added to the proceeds of the bonds authorized pursuant to this section for such grants. The memorandum of understanding shall be deemed to satisfy the provisions of section 3-20 of the general statutes and the exercise of any right or power granted thereby which is not inconsistent with the provisions of this section.

(c) All provisions of section 3-20 of the general statutes, or the exercise of any right or power granted thereby, which are not inconsistent with the provisions of this section are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to this section. Temporary notes in anticipation of the money



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to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20, and from time to time renewed. All bonds issued pursuant to this section shall be general obligations of this state and the full faith and credit of this state of Connecticut are pledged for the payment of the principal of and interest on such bonds as the same become due, and accordingly and as part of the contract of this state with the holders of such bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the Treasurer shall pay such principal and interest as the same become due.

(d) Subject to the amount of limitations of the capping provisions in subsection (a) of this section, the principal amount of the bonds authorized under this section shall be deemed to be an appropriation and allocation of such amount, and such approval of such request shall be deemed the allotment by the Governor of such capital outlays within the meaning of section 4-85 of the general statutes.

Approved September 29, 2016