House of Representatives

General Assembly

File No. 464

February Session, 2016

Substitute House Bill No. 5573

House of Representatives, April 5, 2016

The Committee on Commerce reported through REP. PERONE of the 137th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING AN EXTENSION OF THE FIRST FIVE PLUS PROGRAM.

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

Section 1. Section 32-4*l* of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2016*):

(a) (1) The Department of Economic and Community Development shall establish a first five plus program to encourage business expansion and job creation. As part of said program, the department may provide substantial financial assistance to up to **[**fifteen**]** twenty eligible business development projects by June 30, **[**2016**]** 2019.

(2) A business development project eligible for financial assistance under the first five plus program shall commit, in the manner prescribed by the Commissioner of Economic and Community Development, to (A) create not less than two hundred new jobs within twenty-four months from the date such application is approved; or (B)

invest not less than twenty-five million dollars and create not less than two hundred new jobs not later than five years after the date such application is approved.

(3) The Commissioner of Economic and Community Development may give preference to a business development project that (A) involves the relocation of an out-of-state or international manufacturer or corporate headquarters, (B) involves the relocation of jobs that are outside the United States to the state, [or] (C) is a redevelopment project [if] that the commissioner believes [such redevelopment project] will create jobs sooner than the schedule set forth in subdivision (2) of this subsection, (D) is located in a distressed municipality, as defined in section 32-9p, or (E) involves a targeted industry referenced in the economic development strategic plan for the state prepared pursuant to section 32-1o.

(4) The Commissioner of Economic and Community Development may, in awarding financial assistance to an eligible business development project, work with Connecticut Innovations, Incorporated, to secure financing for such project.

(5) The Commissioner of Economic and Community Development shall certify to the Governor for his or her approval that a business development project applicant has satisfied all the eligibility criteria in the program. Financial assistance awarded through the first five plus program shall be with the written consent of the Governor.

(b) Financial assistance for the first five plus program for eligible business development projects shall be exempt from the provisions of subsection (c) of section 32-223, section 32-462, subsection (q) of section 32-9t and, at the commissioner's discretion, section 12-211a for the fiscal years ending June 30, 2012, June 30, 2013, June 30, 2014, June 30, 2015, June 30, 2016, [and] June 30, 2017, June 30, 2018, June 30, 2019, and June 30, 2020.

(c) The commissioner may take such action as the commissioner deems necessary or appropriate to enforce such commitment, including, but not limited to, establishing terms and conditions for the repayment of any financial assistance awarded pursuant to the provisions of this section.

(d) On or before September 1, 2013, January 1, 2014, September 1, 2014, January 1, 2015, September 1, 2015, January 1, 2016, **[**and**]** September 1, 2016, January 1, 2017, September 1, 2017, January 1, 2018, September 1, 2018, January 1, 2019, and September 1, 2019, the Commissioner of Economic and Community Development shall report in accordance with the provisions of section 11-4a to the joint standing committees of the General Assembly having cognizance of matters relating to commerce and finance, revenue and bonding on the projects funded through the first five plus program, the number of jobs created and the impact on the economy of this state.

(e) Notwithstanding the provisions of subsection (a) of this section, on or after July 1, 2016, the department shall not provide financial assistance to any additional business development project under this section until: (1) The commissioner submits a report, in accordance with the provisions of section 11-4a, to the joint standing committees of the General Assembly having cognizance of matters relating to commerce and finance that includes (A) the net rate of return to the state for the entire portfolio of the first five plus program, taking into account all loans that have been forgiven and all tax credits that have been allowed in accordance with this section, and (B) based on such net rate of return, a recommendation as to whether the first five plus program should continue; and (2) said joint standing committees vote, in concurrence, to approve such recommendation.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2016*	32-4*l*

CE *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 17 $	FY 18 $
Treasurer, Debt Serv.	GF - Acceleration of Debt Service Costs	Potential	Potential

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill expands the First Five program (1) from fifteen to twenty projects and (2) for three additional years. The bill also requires the Department of Economic and Community Development (DECD) to produce an analysis of the program on or after July 1, 2016 in order to implement this expansion.

It is anticipated that DECD will be able to produce the report with no additional resources. DECD routinely analyzes the impact to the state of various financial assistance projects and programs.

In the event that the committees of cognizance approve a recommendation from the report to continue the program, as required under the bill, DECD may provide substantial financial assistance to projects without legislative approval for proposed financial assistance amounts that exceed statutory limits.

Assuming that these projects would have received legislative approval for the amounts exceeding the statutory threshold, there is no fiscal impact. To the extent that a project or projects receive funding that would otherwise have been disapproved by the legislature, there could be a potential impact to (1) the Manufacturing Assistance Act (MAA), a bond fund program, and (2) tax revenue associated with tax credits provided.[1]

The bill does not change General Obligation (GO) bond authorizations for MAA, which is the primary source of funding for loans and grants provided through the First Five program. Future General Fund debt service costs may be incurred sooner under the bill to the degree that the bill causes authorized GO bond funds to be expended more rapidly than they otherwise would have been. As of March 31st, the program has an unallocated bond balance of $114.3 million.

Background

As of March 31st, thirteen companies are participating in the program, out of an available fifteen openings, for a total of up to $256.6 million in assistance through loans and grants and up to $115 million in tax credits. See the table at the end of this section for more details.

First Five Program

Company	Total Assistance Available	Tax Credits	Loans/Grants (Bond Funded)	Bond Funds Allocated to Date	Remaining Allocation Anticipated	Jobs Retained	Jobs Created (max)[1]
CIGNA	71,000,000	50,000,000	21,000,000	21,000,000	-	3,883	800
NBC Sports	26,000,000	-	26,000,000	26,000,000	-	116	716
ESPN	10,000,000	10,000,000	-	-	-	3,872	200
Sustainable Building Systems	19,100,000	-	19,100,000	19,100,000	-	-	408
CareCentrix	24,000,000	-	24,000,000	18,800,000	5,200,000	213	290

[1] Urban and Industrial Reinvestment Site (URA) Tax Credits are the primary tax credits awarded to First Five projects, though not exclusively so. The tax credit cap on the URA program is $950 million, of which $588 million has been granted as of October 2015.

Alexion	51,000,000	25,000,000	26,000,000	26,000,000	-	368	300
Deloitte	14,500,000	-	14,500,000	9,000,000	5,500,000	1,153	500
Bridgewater Associates	52,000,000	30,000,000	22,000,000	-	22,000,000	1,402	750
Charter Communica-tions	8,500,000	-	8,500,000	8,500,000	-	260	300
Navigators Group Inc.	11,500,000	-	11,500,000	11,500,000	-	-	200
Pitney Bowes	27,000,000	-	16,000,000	16,000,000	-	1,600	200
EDAC Technologies Corporation	48,000,000	-	48,000,000	23,000,000	25,000,000	349	200
Synchrony Bank	20,000,000	-	20,000,000	10,000,000	10,000,000	310	400
Total	**382,600,000**	**115,000,000**	**256,600,000**	**188,900,000**	**67,700,000**	**13,526**	**5,264**

[1]The minimum required job creation is 200 for all companies.

The Out Years

The bill extends the First Five program through June 30, 2019. No additional projects may participate in the program after this date. This limits the outyears impact to only those projects which are approved during the expanded timeframe permitted under the bill.

OLR Bill Analysis
sHB 5573

AN ACT CONCERNING AN EXTENSION OF THE FIRST FIVE PLUS PROGRAM.

SUMMARY:

This bill extends the First Five Plus program's sunset date by three years, from June 30, 2016 to June 30, 2019, and increases the maximum number of business development projects the Department of Economic and Community Development (DECD) can fund under the program from 15 to 20. (The program has funded 13 projects since its inception in 2011.) The program combines financial assistance and tax incentives under existing programs for projects that create jobs and make capital investments within the law's timeframes (see BACKGROUND).

Although the bill extends the program's sunset date, it prohibits the DECD commissioner from funding additional First Five Plus projects after July 1, 2016 until certain tasks are completed: the commissioner must (1) determine the state's net rate of return on the value of financial assistance and tax incentives for all First Five projects and, based on that analysis, (2) recommend to the Commerce and Finance, Revenue and Bonding committees whether the state should continue the program. The commissioner cannot fund additional projects until those committees vote, in concurrence, to approve her recommendation.

The bill also allows the commissioner to give preference for First Five Plus assistance to more types of projects and makes technical changes conforming the program's biannual reporting requirements and periods during which the program is exempt from specified statutory requirements applicable to economic development funding.

EFFECTIVE DATE: July 1, 2016

FINANCIAL ANALYSIS AND LEGISLATIVE REVIEW

Beginning July 1, 2016, the bill prohibits the commissioner from funding any additional First Five Plus projects until certain actions are taken. The commissioner must submit a report to the Commerce and Finance, Revenue and Bonding committees analyzing the entire First Five Plus portfolio's net return on investment to the state. In calculating that return, the commissioner must include all loans she forgave and the tax credits she issued under the program. And, based on that analysis, she must recommend whether the program should be continued.

The committees must vote, in concurrence, whether to accept the commissioner's recommendation to continue before she can fund any additional projects.

FIRST FIVE PLUS PREFERENCES

The bill expands the types of projects to which the DECD commissioner may give preference for First Five Plus assistance to include those (1) located in the state's 25 distressed municipalities, which the commissioner annually determines based on social and economic criteria (see BACKGROUND) and (2) that are part of an industry that the state's strategic economic development plan targets for assistance. (The state's 2015 plan targets for priority investment health care, bioscience, insurance and financial services, advanced manufacturing, and digital media, tourism, and green technologies industries.)

Current law allows the commissioner to give preference to projects involving:

1. the relocation of an out-of-state or international manufacturer or corporate headquarters,
2. the relocation to Connecticut of jobs outside the U.S., and
3. redevelopment projects she believes will create jobs sooner than expected under the program's timeframes.

DEADLINE EXTENSIONS

The bill makes conforming changes aligning certain expiration dates to the bill's extension of First Five Plus's sunset date. It extends, from FY 17 through FY 20, the time during which the commissioner can use Manufacturing Assistance Act Program funds to fund First Five Plus projects without adhering to its funding limits (i.e., up to 90% funding for projects in municipalities with enterprise zones (currently 17) and up to 50% in the other municipalities).

The bill extends, from FY 17 through FY 20, the time during which First Five Plus projects are exempt from the financial thresholds requiring legislative approval for large-scale economic development projects.

Lastly, the bill extends current law's biannual reporting requirements into 2019. Under the bill, the commissioner must submit reports to the Commerce and Finance, Revenue and Bonding committees twice a year, by January 1 and September 1 in 2017, 2018, and 2019.

BACKGROUND

First Five Plus Eligibility Criteria

Projects qualify for First Five Plus assistance if they can (1) create at least 200 new jobs within 24 months after the commissioner approved assistance or (2) invest at least $25 million and create at least 200 new jobs within five years after the commissioner approves the assistance.

Distressed Municipalities

The bill allows the commissioner to give preference for First Five Plus assistance to projects in the state's 25 distressed municipalities, which the DECD designates annually based on economic and social criteria. The most current designation is for 2015, and the distressed municipalities are Ansonia, Bridgeport, Bristol, Derby, East Hartford, Enfield, Griswold, Hartford, Killingly, Meriden, Naugatuck, New Britain, New Haven, New London, North Canaan, Norwich, Plymouth, Preston, Putnam, Sprague, Stafford, Torrington, Waterbury, West Haven, and Windham.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute
Yea 16 Nay 4 (03/17/2016)