

OFFICE OF FISCAL ANALYSIS

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sSB-1026

AN ACT ESTABLISHING CERTAIN INCENTIVES TO GROW THE
BIOSCIENCE INDUSTRY IN THE STATE.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$
Department of Revenue Services	GF - Revenue Loss	26.4 million	44.2 million
Department of Economic & Community Development	GF - Cost	150,000	150,000
State Comptroller - Fringe Benefits ¹	GF - Cost	61,785	61,785
Treasurer, Debt Serv.	GF - Uncertain	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which makes a number of tax- and bond-related changes and establishes a biotechnology ambassador, results in the following fiscal impacts:

Section 1 gradually phases out the capital base tax rate under the Corporation Business Tax from 2020 to 2022. This results in a revenue loss of \$11.4 million in FY 20, \$29.2 million in FY 21, \$46.2 million in FY 22, and \$53 million in FY 23 and annually thereafter.

Section 2 increases the limit on the utilization of certain credits

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.19% of payroll in FY 20 and FY 21.

under the Corporation Business Tax which results in a revenue loss of approximately \$15 million annually beginning in FY 20.

Sections 3 through 6 obligate use of existing bond authorizations for two bond programs. First, the bill obligates a total of \$5 million (\$2.5 million in each of FY 20 and FY 21) of existing authorizations for the Economic Development and Manufacturing Assistance Act (MAA). As of the start of CY 19, approximately \$115.5 million is available for future allocation under the MAA authorization.²

Next, the bill obligates not less than \$1 million of the \$25 million set to become effective in FY 20 under existing law for the Connecticut Bioscience Innovation Fund (CBIF).³ Total future funding for the program is \$124 million from FY 20 through FY 24.

There is no net change to the amount of General Obligation bonds authorized in FY 20 and FY 21, though use of those funds is limited to specified recipients that may or may not have been eligible for funding under the existing programs otherwise. To the extent that the obligations added in the bill alter the rate of bond expenditures, debt service repayment would be similarly slowed or accelerated.

Section 7 requires the appointment of a biotechnology ambassador within the Department of Economic and Community Development which results in a cost of \$211,785 (one full-time employee with a salary of \$150,000 and \$61,785 for fringe benefit costs). This represents the full time cost for each year of the biennium, as the section is effective from passage.

The Out Years

The annualized ongoing cost and revenue impacts identified above would continue into the future subject to inflation.

² Over \$85 million of the \$115.5 million available for MAA is obligated to specified recipients or uses under current law.

³ \$3 million of the FY 20 authorization for CBIF is obligated to specified recipients under current law.

The possible impact of increased or decreased debt identified above would continue into the future subject to the terms of the bond repayment.