



PA 24-149—sHB 5299

Commerce Committee

AN ACT CONCERNING THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT'S RECOMMENDATIONS FOR REVISIONS TO THE JOBSCT PROGRAM AND THE COMMERCE AND RELATED STATUTES

SUMMARY: This act eliminates CTNext and makes the Department of Economic and Community Development (DECD) its successor agency. In doing so, it also generally transfers various former CTNext powers, functions, programs, funds, and bond authorizations to the department; repeals certain CTNext-related provisions and statutes; and modifies certain CTNext duties, programs, and funds that pass to DECD.

Separately, the act makes several changes to the JobsCT tax rebate program. Among other things, it:

1. establishes a two-year lookback period for calculating a business's number of new full-time equivalents (FTEs), rather than a lookback to January 1, 2020, as prior law required;
2. adds new options for determining the wage requirements a business must meet to receive a rebate;
3. allows the DECD commissioner to substitute another requirement or metric similar in intent to a requirement or metric that he determines the applicant cannot reasonably meet; and
4. changes how rebates are calculated for businesses employing at least one new FTE who is a person with intellectual disability.

The act also delays, from January 1, 2024, to January 1, 2025, the requirement for DECD to post on its website specified information about JobsCT (e.g., information about rebates for employing people with intellectual disability).

The act eliminates Community Investment Fund 2030 (CIF) funding for certain grants proposed by municipalities, community development corporations, or nonprofit corporations. Under prior law, these entities had to use the grants to give loans to small businesses.

Additionally, the act makes changes to the DECD commissioner's approval process for Urban Act economic development projects, such as (1) eliminating the prohibition on projects being undertaken before he gives certain approvals and (2) requiring the commissioner to establish the terms and conditions of any grant contract for these projects.

Lastly, it makes technical and conforming changes.

EFFECTIVE DATE: Upon passage, except the provisions related to CTNext are effective July 1, 2024.

§§ 4-21 — DECD AS SUCCESSOR TO CTNEXT

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The act makes DECD the successor agency to CTNext under the state law on the transfer of functions, powers, and duties to successors (including provisions on receiving federal aid and the transfer of appropriations). In doing so, it also (1) generally transfers various former CTNext powers, functions, programs, funds, and bond authorizations to the department; (2) repeals certain CTNext-related provisions and statutes; (3) modifies certain CTNext duties, programs, and funds that pass to DECD; and (4) makes numerous minor and conforming changes throughout impacted statutes.

The legislature established CTNext in 2016 as a subsidiary of Connecticut Innovations, Inc. (CI) to support the entrepreneurship community and new business development and oversee several new related initiatives. Under prior law, CTNext was governed by a 12-member board of directors, half of which were generally required to be experienced entrepreneurs.

CTNext Purposes, Powers, and Duties Transferred to DECD

The act allows DECD to use any available funds from the CTNext Fund (see below) for purposes formerly assigned to CTNext. Broadly, CTNext was charged with supporting the state's entrepreneurial ecosystem, and its specific purposes were to:

1. foster and oversee the growth and improvement of a statewide entrepreneurial ecosystem that supports Connecticut innovators and entrepreneurs;
2. initiate changes to outdated practices to improve this ecosystem;
3. maintain an active and conspicuous presence at all nodes of the ecosystem and increase their connections; and
4. regularly reassess the ecosystem's health, identify its changing needs, adopt or adapt initiatives to meet these needs, and give the General Assembly related legislative recommendations.

The act also expands the possible purposes for these funds, allowing DECD to carry out the above purposes to address infrastructure supporting innovators and entrepreneurs in addition to the statewide entrepreneurial ecosystem.

Under the act, DECD may also take various other actions formerly assigned to CTNext as secondary purposes (e.g., connecting certain entrepreneurs to one another and to federal, state, and private resources). The act generally leaves these purposes unchanged, but in facilitating the establishment of "innovation places" (and their development, growth, and evolution; see below), DECD must also do the same for incubator facilities. (CTNext generally inherited this duty from CI on September 1, 2016.)

The act also generally transfers former CTNext powers and duties to DECD (except for those it eliminates; see below) so that it may carry out the above purposes and broadly allows the commissioner to take any actions needed or convenient to carry out these transferred powers and duties. The act leaves the transferred powers generally unchanged, although it makes several minor modifications to certain powers (e.g., eliminating prior law's requirement that assisting in the creation of business accelerators include a satellite of a major

national business accelerator).

Transferred Programs

Innovation Places Program. Prior law established an Innovation Places program within CTNext to foster innovation and entrepreneurship by facilitating this designation and creating innovation places consisting of one or more compact geographic areas within the same municipality that have entrepreneurial and innovation potential and meet certain other requirements. The act transfers authority over the program to DECD and makes it discretionary. It generally retains the program’s existing provisions, however the act charges the DECD commissioner, rather than CTNext’s board, with undertaking various program-related activities (e.g., reviewing applications and awarding grants, including related planning grants).

Entrepreneurs-in-Residence Program. The act transfers, from the CTNext executive director to the DECD commissioner, the authority to establish and operate an Entrepreneurs-in-Residence program (which may replace and incorporate any similar program that existed before July 1, 2018). In doing so, the act generally retains the program’s existing provisions, but it specifies that the program may match certain highly experienced entrepreneurs with entrepreneurs and businesses in DECD’s network (rather than CTNext’s). It allows the commissioner, instead of the CTNext board, to come to an agreement with these entrepreneurs-in-residence on whether their retention will be on a paid or volunteer basis and specifies that any department employees serving in this role must do so as a volunteer, as was the case for CTNext employees under prior law.

Higher Education Entrepreneurship Grants and Advisory Committee. Prior law established a Higher Education Entrepreneurship Advisory Committee within CTNext to review applications for higher education entrepreneurship grants. The act instead transfers to the DECD commissioner the authority to establish this committee. If he does, the committee’s membership is the same as under existing law, however the commissioner, rather than the CTNext board, (1) appoints the members and (2) receives the committee’s recommendations for grant approvals. The act retains existing law’s other provisions related to the committee (e.g., procedures for transacting business) and its prioritization criteria for grant applications.

Transferred Funds

CT Next Fund. By law, the CTNext Fund is a nonlapsing fund outside the General Fund that is administered by CI. The act allows CI to use the fund for the following purposes, which are generally authorized under existing law:

1. grants to entities planning and developing designated innovation places (see above),
2. projects that connect such places,
3. CTNext’s statutory powers and duties,
4. higher education entrepreneurship grants and growth grants to certain start-

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up businesses, and

5. any other statutorily authorized purpose or activity.

The act expands the fund's allowable uses to include (1) terminating CTNext's operations and activities and (2) paying CTNext employees any reasonable and appropriate severance compensation approved by the former CTNext board of directors before July 1, 2024. It also eliminates two formerly allowed uses (i.e., awarding a one-time grant for an assessment of innovation and entrepreneurship in the state and giving competitive grants to start-up businesses located in, or relocating to, a single municipality in which a designated innovation place is located) to conform to the act's repeal of certain CTNext statutes (see below).

Under the act, expenditures from the CTNext Fund must be approved by the DECD commissioner, rather than the CTNext board of directors. As under existing law, any approval must be specific to an individual expenditure to be made or for budgeted expenditures with variations the commissioner, rather than the board, may authorize during budget approval. The act additionally eliminates prior law's provisions requiring CI to (1) prepare a plan of operations and an operating and capital budget for the fund each fiscal year and submit it to the board and (2) annually submit a report on the fund's activities, including specified information, to the board for its review and approval. Prior law also required that CI submit this approved report to the Commerce and Finance, Revenue and Bonding committees.

Proof of Concept Fund. The act allows the DECD commissioner, rather than CTNext's executive director, to jointly establish with CI's chief executive officer a proof of concept fund to make investments or give grants supporting commercialization activities relevant to key state industries. It retains existing law's provisions on awarding and prioritizing these grants.

Modified and Cancelled Bond Authorizations

Manufacturing Assistance Act (MAA) Bond Authorizations. The act modifies several previously enacted MAA bond authorizations that were earmarked for certain CTNext programs and purposes under prior law by instead specifying that DECD has authority over these authorizations (e.g., for innovation places, higher education entrepreneurship, growth grants, and CTNext Fund purposes). It also eliminates prior law's requirement that the CTNext Board, at least 30 days before using any unexpended funds from these authorizations, provide notice of and the reason for the use to the Commerce and Finance, Revenue and Bonding committees.

Other Cancelled and Modified Bond Authorizations. In addition to the modified bond authorizations discussed above, PA 24-151, § 29, (1) cancels \$44 million of an existing \$64.2 million bond authorization to recapitalize CTNext's Innovation Places program and (2) modifies the authorization's purpose by requiring that the bonds instead be used by DECD as CTNext's successor agency.

Repealed CTNext Provisions

The act repeals various provisions of prior law related to CTNext and its

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administration and powers. Generally, these are powers typically granted to quasi-public agencies that would not apply to DECD, which is a state agency. For example, it eliminates those related to CTNext employment and personnel, its board of directors, and its ability to accept grants and other contributions and procure insurance.

The act also specifically eliminates the following duties that were assigned to CTNext:

1. develop a plan to facilitate relationships between in-state businesses and higher education institutions for entrepreneurial research and talent development;
2. create and publicize an informational website that includes specified services and information for entrepreneurs;
3. advise the governor, legislature, DECD commissioner, and presidents of UConn and the Connecticut State Colleges and Universities on job creation and retention and certain matters impacting state policies, programs, employers, and residents;
4. annually develop, update, implement, and report on a strategic statewide innovation and entrepreneurship marketing plan for promoting Connecticut as an innovation and entrepreneurship hub;
5. connect entrepreneurs in designated innovation places with existing municipal and state resources to assist them with regulatory compliance; and
6. adopt a comprehensive program evaluation and measurement process to ensure CTNext programs are (a) administered appropriately and efficiently, (b) cost effective, (c) meeting CTNext's purposes, and (d) in compliance with statutory requirements.

Repealed CTNext Statutes

In addition to the repealed provisions discussed above, the act also repeals various CTNext-related statutes, including those:

1. requiring the CTNext board to adopt certain written procedures (CGS § 32-39h);
2. establishing various statutory definitions related to CTNext (CGS § 32-39j) (the act retains definitions applicable to CTNext powers, duties, and programs that it transfers to DECD);
3. requiring the CTNext board to award a one-time grant for certain assessments, audits, and reports related to innovation and entrepreneurship in the state (CGS § 32-39q);
4. allowing certain state agencies to give priority for financial assistance to entities located within a designated innovation place (CGS § 32-39r);
5. establishing a working group on innovation and entrepreneurship at higher education institutions and requiring the group to create a master plan and submit it to the CTNext board (CTNext was required to provide staff, office space and systems, and administrative support to the group) (CGS § 32-39s);

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6. requiring CI to create a competitive grant program for start-up businesses located in, or relocating to, a single municipality where a designated innovation place is located (CGS § 32-39u);
7. requiring CTNext to maintain a website advertising Connecticut start-ups (a) eligible for cash investments from angel investors and (b) seeking funding on reward- and equity-based crowdfunding websites (CGS § 32-39v); and
8. requiring the CTNext board to issue a request for proposals to enter into an agreement with a private research organization to advise, guide, and assist the state in short- and long-term strategic economic planning (CGS § 32-39w).

§ 1 — JOBS CT

The JobsCT tax rebate program allows companies in specified industries (e.g., manufacturing and bioscience) to earn rebates against the corporation business, pass-through entity, and insurance premiums taxes for reaching certain job creation targets. Under existing law, a business's rebate is based on (1) the number of new FTEs created or maintained, (2) their average wage, and (3) the state income tax that a single filer would pay on this average wage. Generally, it equals 25% of the average state income tax that these employees would pay, multiplied by the number of employees.

FTE Definition

By law, "new FTEs" are those that did not exist in the state when the business applied to the DECD commissioner for acceptance into the program. Under prior law, the definition excluded, among other things, FTEs hired to replace FTEs that existed in the state after January 1, 2020.

The act eliminates this exclusion and instead excludes FTEs hired to replace those that existed in the state in the two-year period immediately before the date the business submits its rebate application.

Wage Requirements

To qualify as a new FTE under prior law, an employee had to be paid wages sourced to the state (i.e., qualified wages) of at least 85% of the median household income for the location where the position is primarily based or \$37,500, whichever is greater.

The act replaces this requirement with two alternatives:

1. the greater of (a) 85% of median household income for the FTE position's primary location or (b) 120% of the state minimum wage on the date the business applies to DECD for a rebate, multiplied by 2,000 hours (e.g., \$37,656 in 2024), or
2. the greater of (a) at least 100% of the median household income for the municipality with the lowest median household income of all municipalities

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contiguous to the position's primary location or (b) 100% of statewide median household income.

Alternative Metrics

The law requires the DECD commissioner, when reviewing a business's JobsCT application, to determine whether the (1) business can reasonably meet the hiring targets and other metrics stated in the application and (2) proposed job growth would (a) provide a net benefit to economic development and employment opportunities in the state and (b) exceed a baseline number of jobs. (The act changes this baseline from the number that existed before January 1, 2020, to the number that existed before the two-year period prior to the business's program application.)

Under prior law, the business had to meet each of these requirements to be eligible for the rebate program. The act allows the DECD commissioner, when he determines that a business cannot reasonably meet metrics and FTE hiring targets in its program application, to substitute another requirement or metric similar in intent to the requirement or metric the applicant could not reasonably meet.

People With Intellectual Disability

The act changes the rebate calculation for companies employing at least one new FTE who is a person with intellectual disability. Under prior law, if the business created and maintained at least 15 new FTEs and at least one of these FTEs was a person with intellectual disability, the business qualified for a 50% rebate for new FTEs (rather than the program's standard 25% rate), based on the state income tax that would be paid by the new FTEs.

The act eliminates this provision and instead allows businesses meeting the above criteria to claim an additional rebate for each person with intellectual disability (i.e., DECD calculates the business's overall rebate amount for new FTEs and then adds an additional rebate based on each new FTE with intellectual disability). Under the act, the additional rebate equals 25% of the calendar year wages paid to each of these people. The act also allows these additional rebates to exceed the program's rebate cap of \$5,000 per new FTE.

§ 2 — COMMUNITY INVESTMENT FUND 2030

By law, the CIF is a five-year bonding program running through FY 27 to fund "eligible projects" in certain municipalities (i.e., those designated as public investment communities or alliance districts). Eligible projects may be proposed by a municipality, community development corporation, or nonprofit corporation and must further consistent and systematic fair, just, and impartial treatment of all individuals.

Under prior law, CIF could fund grants for (1) a revolving loan program, microloans, or gap financing to small businesses located within an eligible municipality or (2) start-up funds to establish a small business there. The act eliminates CIF awards for these purposes.

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The act also makes technical and conforming changes (e.g., repealing language about the conditions these proposed loans must meet). The law, unchanged by the act, also allows CIF awards for projects that promote economic or community development in eligible municipalities.

§ 3 — URBAN ACT GRANT PROGRAM

By law, the Urban Act grant program is generally open to state-designated distressed municipalities, public investment communities, and urban centers under the state's Plan of Conservation and Development (CGS § 4-66b). The program provides funds to improve and expand state activities promoting community conservation and development and quality of life for urban residents. The Office of Policy and Management receives and reviews funding requests and then directs them to the agencies with expertise in the area for which a project is seeking assistance (e.g., OPM may direct an economic development project to DECD).

Before entering into a grant contract under the program, existing law requires the DECD commissioner to approve the application submitted on forms he provides. The act additionally allows the commissioner to request information needed to evaluate the application. It requires the commissioner to set the terms and conditions of grant contracts for these projects and allows him to make related stipulations. The act eliminates prior law's provisions (1) prohibiting eligible projects from starting until the DECD commissioner approves the plans, specifications, and estimated costs and (2) allowing him to adopt implementing regulations. (Existing regulations adopted in 1984 specify DECD's application review process under the program (Conn. Agencies Regs., § 4-66c-1).)

BACKGROUND

Related Act

PA 24-151, §§ 118-123, gives projects identified in a 10-year plan to reduce concentrated poverty in specified census tracts priority for CIF awards, if they also meet certain program criteria. It also decreases the number of new FTEs that a business must create and maintain to be eligible for the JobsCT program if at least three of these FTEs live in a concentrated poverty census tract.