

2012 Program Report Card: Job Expansion Tax Credit (Department of Economic & Community Development)

Quality of Life Result: All Connecticut working age residents have jobs that provide financial self-sufficiency.

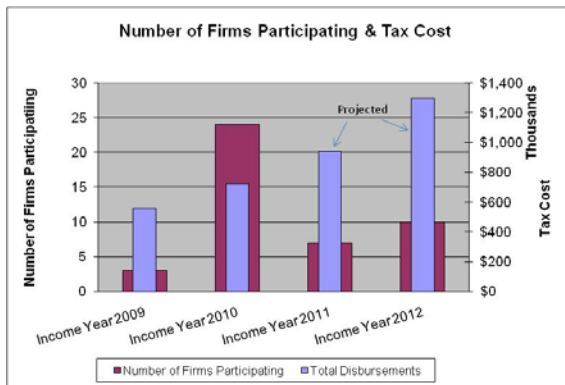
Contribution to the Result: The Job Expansion Tax Credit (JETC) provides a financial benefit to firms in the form of tax credits as they hire workers; it thus contributes to the result by offering incentives for employers to create jobs for Connecticut residents. Over the past three years, the JETC program has had very low participation; however, we believe the impact on the companies that used the program was positive. In October 2011, the General Assembly passed the Jobs Bill that simplified and updated this program to target certain populations and increase usage.

Program Expenditures	State Funding	Federal Funding	Other Funding	Total Funding
Actual FY 11	\$721,983	\$0	\$0	\$721,983
Estimated FY 12	\$2,236,163	\$0	\$0	\$2,236,163

Partners: Current: CT Dept. of Labor, Bureau of Rehabilitative Services, CT Dept. of Veteran Affairs, CT Development Authority, CT Innovations, CT Housing Finance Authority, CT Economic Resource Center. Potential Partners: the MetroHartford Alliance, the Fairfield County Business Council, seCTer.

How Much Did We Do?

Measure: Dollar value of tax credit (the tax cost) and number of firms participating.



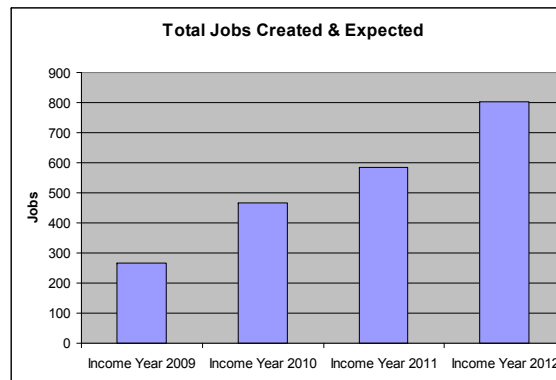
Story behind the baseline:

DECD advertises the JETC on its website and contacts firms to participate in the program. Firms weigh the costs & benefits of participating. DECD conducts an employment review of firms utilizing this credit to determine if they create new jobs in the stated timeframe. DECD uses the CT DoL UI wage records to confirm reported data.

Trend: ▲

Is Anyone Better Off?

Measure: Number of workers hired.



Story behind the baseline:

The JETC program lasts two years for each firm. Each year the firm must submit its job creation record that DECD verifies with CT DoL. DECD tracks the average wages of new jobs and certain demographics under the JETC program (the credit is \$900 per worker if he/she is unemployed or received vocational rehabilitation services and \$500 for anyone else irrespective of their wage). The average tax cost per job created to date is \$1,612.

Firms hire the number of workers they need and may reapply for a JETC as their labor needs change. DECD believes that workers hired under this program are better off because they had no job prior to being hired by the firm awarded the tax credit or, if hired from existing positions, they are better off because of a better fit in the new company, additional wages, etc. We assume firms are better off because their labor costs temporarily decline because of the JETC program.

DECD cannot force employers to focus on a harder-to-serve population (disabled, minority or long-term unemployed) or pay a living wage. DECD does not know if firms would have hired new workers irrespective of the credit.¹ The credit incentivizes hiring workers especially the unemployed, veterans and those receiving vocational rehabilitation services as the statute provides.

Trend: ▲

¹ See the literature review in "An Assessment of Connecticut's Tax Credit and Abatement Programs," available at http://www.ct.gov/ecd/lib/ecd/decd_sb_501_sec_27_report_12-30-2010_final.pdf.

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Is Anyone Better Off?

Measure: Number of veterans, unemployed and those receiving vocational rehab hired. This is a measure provided under the new JETC statute. As DECD performs an audit of the new program, it will collect data to establish a baseline and subsequent changes from it.

Story behind the baseline:

DECD is focused on implementing the new law to ensure that it has the desired impact. That includes determining whether the incentive results in additional hiring of the targeted population because of the credits and whether the credits make a difference to employer hiring and economic viability.

Because firms requesting this credit must provide the worker's status, DECD will establish the metric to assess how well the JETC is moving the target groups into employment.

Trend: ◀▶

Proposed Actions to Turn the Curve:

Over the next fiscal year, DECD will partner with quasi-public agencies (CI, CDA, CHFA) and NGOs (e.g., CERC, MetroHartford Alliance, the Fairfield County Business Council, seCTer) to publicize widely its assistance programs and in particular, the Job Expansion Tax Credit. DECD will deploy its newly organized sales and marketing resources to ensure that those Connecticut firms needing this assistance most will know about it and use it to increase employment in the state.

During the October 2011 Special Session, DECD was instrumental in revising the existing programs and legislation passed that streamlined the three job creation tax credit programs into one, called the Job Expansion Tax Credit. The revised program provides increased incentives to businesses that hire from Connecticut unemployment rolls or veterans or individuals receiving vocational rehabilitation services from the Bureau of Rehabilitative Services. DECD expects these changes to increase employment opportunities in Connecticut and improve living wage opportunities for its residents.

Data Development Agenda:

DECD collects information for its annual report from firms receiving DECD assistance. DECD will extract an individual's wage information (if available) to determine the effectiveness of the JETC in establishing a living wage for new hires. Over the next fiscal year, DECD will add questions to its survey to determine whether there is a career path associated with the positions hired and the difference the credit made in the firms hiring decisions and how well DECD performed in administering the credit. DECD will monitor its marketing programs to determine how best to reach firms to take advantage of the JETC. Over the next fiscal year, DECD will survey the literature for best practices regarding job creation incentives and seek to improve the legislation. In the future, DECD will add new metrics to the program to better measure program effectiveness including actual vs. projected new job creation, types of companies using the program and ROI for the state.