The State of the State

- Unemployment is at an eight-year low, while wages are at the highest point ever.
- 23,000 private sector jobs created in 2015 and 80,000 in the last four years.
- Private sector has recovered 114,600 (102.7%) of the 111,600 jobs lost during the recession.
- State government is shrinking with over 1,000 fewer employees than four years ago.
- Long-term financial obligations have been reduced 8%.
And Just in the Last Year…

In addition to all the company growth announcements, Connecticut……

- Was named an Investing in Manufacturing Communities Partnership (IMCP) community
- Launched the Connecticut Supplier Connection; more than 100 CT suppliers have qualified to be on the platform
- Saw a strong tourism summer season: 12% more visitors to major attractions
- Began the Minority Business Initiative
- Launched a new customer-friendly business portal
- Through the Manufacturing Innovation Fund, created a new $7 million Incumbent Worker Training program and a $7.8 million Apprenticeship program and an “Energy on the Line” program
- Developed a New Brownfield Area-Wide Revitalization (BAR) Planning Grant program
- Announced $1.9 million in cultural grants under the Good to Great program
Connecticut: At the Center Of It All

Connecticut is conveniently located within 500 miles of 1/3 of the U.S. economy.

Within 200 miles of Connecticut, you’ll find:

- 66% of the Canadian economy
- 40 million people
- 21 million jobs
- 2 million companies
With A Skilled Workforce

Connecticut ranks #3 in the country for the percentage of employees with advanced degrees.

Connecticut is home to almost half a million people holding advanced degrees, ensuring exceptional access to a highly educated workforce.

Not only is our workforce highly educated, it's highly industrious — ranking #4 in the U.S. for productivity.

Productivity is the spirit that drives Connecticut business. In terms of gross domestic product, Connecticut ranks higher than several major countries in productivity.
World-Class Education

Connecticut is home to 42 colleges and universities, ranging from the Ivy League to community colleges to world-class research institutions, each turning out highly educated workers and entrepreneurs.

During the 2012-2013 school year, Connecticut had 261,322 students enrolled in its institutions of higher learning.

The state of Connecticut is investing significantly in education.
A Center for Innovation

As a result of Connecticut workers’ innovative and entrepreneurial spirit...

Connecticut ranked #5 on the 2016 Bloomberg State Innovation Index

Google named Stamford as the 2016 top digital city in Connecticut
Governor Malloy is spearheading Let’s Go CT, a historic and unprecedented 30-year, $100 billion transportation plan.

Rail, highway, and infrastructure improvements, including major upgrades along I-95 and MetroNorth.

The recent creation of the Connecticut Port Authority will help grow our economy and remove traffic from highways.
Unparalleled Quality of Life

- 2014: #3 ranking for overall quality of life due to low crime and poverty rates, a healthy populous and strong schools (Forbes)
- CT ranks #1 as the healthiest state in the country

- 96 miles of scenic coastline
- 169 cities & towns, ranging from cosmopolitan urban centers to quaint small towns
- 825 miles of blue-blazed hiking trails running through 88 towns
- 4 distinctly different seasons, yet with a relatively mild Northeast climate
The “business climate” needs improvement

Talent remains the #1 reason companies choose to come to and stay in Connecticut

Universities and entrepreneurial activity are increasingly important as innovation becomes critical to business success

Access to markets is a strength; make it easier

Our cities and towns need vibrancy, energy and more young people
Our Economic Development Strategy

- Build on our strengths (talent, “anchors” location)
- Focus on innovation and key business sectors to stimulate business development
- Streamline governmental processes/regulation
- Collaborate with key partners to improve the business climate (education, transportation, energy)
A Comprehensive Approach

Investing in STE(A)M Education

UConn
Community colleges
Technical high schools

Green Bank/C-Pace
Regional approach

LEANing gov’t
Reducing complexity
Vibrant communities

A vision for the 21st century

Comprehensive Energy Plan is Reducing Cost

Fostering a Strong Business Climate

Improving Infrastructure
DECD Toolbox Supports Business Growth

- Six targeted industries:
  - Insurance/Financial Services
  - Bioscience
  - Advanced Manufacturing
  - Green Technology
  - Digital Media
  - Tourism

- With specific focus on:
  - Small businesses
  - Entrepreneurs and innovators
  - Minority business owners
  - International business recruiting
Small Business Express

Supports the retention and growth of small business (under 100 employees) with a combination of loans and grants

- Matching grants of up to $100,000 or loans/forgivable loans in amounts up to $300,000

- Success to date:
  - Assisted 1,494 companies
  - Provided $230M in financial assistance
  - Promise to create 5,794 jobs and retain 16,546
Manufacturing Assistance Act

Provides incentive-driven loans for mid and large-sized companies growing jobs and building their businesses in CT

- Success to date:
  - Assisted 124 companies in 53 different municipalities
  - Provided $332M in financial assistance, leveraging $941M in private investment
  - 30,849 jobs retained and 6,587 to be created
Manufacturing Innovation Fund

Assists manufacturers in making innovative, strategic investments needed to remain competitive, win new contracts, and grow jobs

<table>
<thead>
<tr>
<th>PROGRAM REPORT</th>
<th>Voucher Program (matching grant)</th>
<th>Incumbent Worker Training (matching grant)</th>
<th>Apprenticeship Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>(as of January 31, 2016)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approved Applications</td>
<td>195</td>
<td>107</td>
<td>56 Registered Apprentices (with 17 pending applications)</td>
</tr>
<tr>
<td>Total $ Approved</td>
<td>$6,710,294</td>
<td>$2,481,657</td>
<td>$1,017,000</td>
</tr>
<tr>
<td>Average Approved Per Company</td>
<td>$34,412</td>
<td>$23,293</td>
<td>TBD</td>
</tr>
</tbody>
</table>
First Five

- Encourages business expansion, relocation and job creation for large-scale companies that create 200 jobs within 2 years or invest $25M and create 200 jobs within 5 years

- Success to date:
  - 13 projects to date
  - Provided $256M in direct state assistance, leveraging $1.3B
  - 13,526 jobs to be retained and 2,600 to 5,264 jobs to be created
  - Eight of the companies have already created 2,394 jobs
Adaptive Reuse (and Brownfields!)

- Since FY2012, the state has invested $155m in 100+ projects to remediate and redevelop brownfields
- Focus/prioritization for Transit-oriented and historic preservation projects
- For every dollar invested, $4.99 has been or will be invested by non-state partners
  - FY2016 projects: $8.37 for every $1 invested
- 2016: New comprehensive cluster-based planning program: Brownfield Areawide Revitalization (BAR) Grants ($1m to six communities)
Minority Business Initiative

- **Purpose:** Increase participation of minority-owned businesses
- **Targeting:** Bridgeport, East Hartford, Hartford, Meriden, New Britain, New Haven, New London, Norwalk and Waterbury
- **Advisory board meeting; community sessions underway**
- **Website** ([www.ctmbi.com](http://www.ctmbi.com)) and bilingual hotline created
DECD Remains Vigilant in Use of State Funds

- Full underwriting of all financial assistance
- Seek a Return on Investment (ROI) of at least the cost of capital, often much more
- Utilize grants, loans, tax credits as leverage to gain job growth and private capital investment
- Overall our portfolio is creating value:
  - 1,816 companies are growing 18,012 jobs with 72,799 jobs retained
  - Creating 107% of the expected jobs
  - Leveraging $2.7 billion
  - Delivering on commitments

See DECD Annual Report for more details
DECD assistance packages require an ROI analysis

We evaluate both the direct and indirect cost and benefits of the programs on a deal by deal basis

REMI uses experience from over 40 years of economic outcomes to model expected future results of investments and growth in specific industries

Inputs: state assistance; company’s investment; new employment; industry sector impacted

Outputs: expected impact on state revenue, GDP, annual loss/gain
DECD “LEANED” Underwriting Process
## DECD Investment Analysis

**Company Name:** Sample  
**Project Location:** Anytown, CT  
**Project Manager:** Retained  
**Prepared By:** Mark Prisloe  
**Created Date:** 2/4/2015  
**Total Project Costs:** $10MM

### ESTIMATED DIRECT IMPACT

<table>
<thead>
<tr>
<th>YR 1</th>
<th>YR 2</th>
<th>YR 3</th>
<th>YR 4</th>
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<tbody>
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</table>

#### COSTS TO CT ($000's):
1. STATE INVESTMENT (DECD, CII, DOH)  
2. OTHER STATE INVESTMENT (i.e. DEEP, DOL)  
3. COST OF FUNDS (cost to bond, P&I, link to line 24 in "Incen")  
4. COST OF TAX ABATEMENTS/CREDITS

#### ESTIMATED RETURNS/BENEFITS TO CT:
1. CORPORATE TAXES  
2. PAYROLL TAXES (link this to line 43 in "Wage & Comp Bill")  
3. SALES TAXES (project & end user)  
4. PMTS OF P &/or I ON LOAN (based on loan terms)  
5. FEES PAID TO DEPARTMENT

#### CONSTRUCTION RELATED BENEFITS:
1. SALES TAXES  
2. PAYROLL TAXES

#### DIRECT RETURNS TO CT  
<table>
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<tr>
<th>(136)</th>
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<th>(136)</th>
<th>(136)</th>
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<tbody>
<tr>
<td>1,026</td>
<td>404</td>
<td>305</td>
<td>319</td>
</tr>
</tbody>
</table>

#### NET CASH FLOWS  
| 890   | 267   | 168   | 183   |

#### CUM CASH FLOW  
| (2,729) | (1,702) | (1,298) | (993) |

#### CONCLUSIONS OF ANALYSIS:

- **PAYBACK PERIOD (YRS):** 6.02 YEARS
- **NET PRESENT VALUE ($000's):** $2,485

### Deal Terms

- **$2 MM loan at 2% for 10 yrs w/ a 10 year amortization w/ $1MM forgiveness in yr 3.**
- **Annual salaries average $60,000 and incr. 2.5% annually.**
- **Payroll taxes based on 25 net new total jobs w/ range of 3.16% cost of funds.**
Conclusion

- Connecticut is making progress
- We have enormous strengths upon which to build
- We must continue to invest in critical areas to retain our advantages
- We must address areas of concern
- Let’s work together to grow our economy!