Economic Competitiveness in Connecticut

Commission on Enhancing Agency Outcomes

November 22, 2010
The Economic Picture in CT

- No overall job growth over the past 2 decades
- About 1.62 million jobs in 1990; same in 2010
Economic Picture in CT: Not all Bad . . .

- UConn’s CCEA reports that from 1999-2009:
  - Some **losses** in professional/high earning jobs like CEOs, doctors, lawyers (almost **17,000**)
  - Income losses of **$1.9 billion**

- **BUT**
  - **Gains** in employment of almost **51,000** in professional/high earning jobs like nurses, teachers, financial services, computer technology, engineers, and physical therapists
  - Income growth of **$4.8 billion**
Connecticut’s Economic Rankings

- Depends on Categories Ranked
  - Higher on Technology and Innovation (2008)
    - 6th in New Economy Index (Kaufmann)
    - 7th in State Technology and Science (Milken)
  - Recent UConn study ranks CT 8th-lowest in per-unit manufacturing costs

- Much Lower on Regulatory Environment and Costs
  - 45th in Business Costs (Forbes, Milken) 47th (CNBC)
  - 40th in Regulatory Environment (Forbes)
  - 23rd “Business Friendly” (CNBC)
Economic Competitiveness

- **Virginia** consistently in top 10 on rankings:
  - Economic growth potential
  - Best business climate
  - Employment leader
  - Education climate (CT ranks high here, too)
  - Workforce health and safety (CT high here, too)
Economic Competitiveness

- Virginia placed 2\textsuperscript{nd} in nation in \textit{Enterprising States}, a 2010 overall rating by U.S. Chamber of Commerce and national Chamber Foundation

- \textbf{UConn study} – Virginia 3\textsuperscript{rd}-lowest costs in manufacturing
Enterprising States Study

- **Conclusion:** The States have the Power to Lead the Jobs Imperative

- **Ultimately,** states and localities are best qualified to meet the jobs imperative
Enterprising States Study

- Evaluated what states will need in post-recession to thrive and create (high quality) jobs:
  - Entrepreneurship and innovation
  - Exporting and international trade
  - Infrastructure development
  - Workforce development and training
  - Taxes and regulation reform
What does Virginia have ... that we don’t (mostly)?

- Created 135,000 jobs in professional and technical area – growth of 20% from 2002
- Ability to execute successful initiatives
- Work with individual businesses in three areas:
  - New businesses
  - Technology-based
  - Industry cluster development
What does Virginia have?

- Virginia has higher incomes but a slightly below average cost-of-living – Connecticut has high income but high cost of living.

- Cost of business is lower in VA – in addition to labor costs, a key expense is energy:
  - Virginia’s total energy costs in 2008 were slightly lower than the national average.
  - Connecticut’s were almost 35% higher.
  - Gap worse if just electricity costs – VA’s 18% lower; CT’s 82% higher.
What’s Virginia Got that CT Doesn’t?

- Lower health care costs:
  - Average premium nationwide for family coverage in 2008 was $12,298
  - CT’s was $13,788 – almost 10% higher than national average – 5th-highest
  - VA’s was $11,935 – about 3% lower than average and 12% lower than CT’s
What else does Virginia have?

- Developed a streamlined permitting process
- One-stop service for new businesses and business who wish to expand
- A representative (case manager) who works with company to get what they need
- Business Development Approach that focuses on key economic areas and international trade
- Advanced e-government services (VA ranks 3rd – CT 37th )
- A performance assessment of services provided to businesses in VA – CT does not
Job Creation: Primary

- CT Legislation in 2010 – addressed programs and financing for business:
  - $15 million Small Business Loan Program -- up to $500,000 per business **DECD**
  - $5 million pre-seed for innovative concepts **CII**
  - Angel Investor Tax credit for investments in bioscience, information technology, green technology **CII**
  - Sales Tax exemption for machinery, supplies and fuel used in renewable and clean energy industries **DRS**
2010 Legislation – Program/Financing

- Expands Job Creation Tax Credit program to small business (DECD)

- Refocuses and expands DECD attention and financing directed to exporting

- Expands enterprise zones – UCHC and Bradley International
Legislation – Economic Development Organizations

- Statutorily (re) created the **Connecticut Competitiveness Council** – business, labor, higher education

- **Permit reform** legislation that shortens environmental regulatory permitting

- Establishes a **permit ombudsman** within DECD
Status of Implementation of Legislation

As of November 1, 2010:

- CII has qualified 13 businesses as investments for Angel Investor Tax Credits
- Six angel investors have claimed tax credits for investments and six have reserved tax credits
- DECD has hired the permits ombudsman but currently no projects are being expedited
- Not all appointments to Competitiveness Council have been made, and Council has not met
Business Development: Organization

BUT

- The way government is structured to provide services and funding to businesses was left untouched

- Several bills (SB 308, SB 160, SB 327, proposed bill 79) introduced in 2010 but none passed
Business Development: Organization

- Still a patchwork
- No single point that serves as a broker
- All agencies operating programs but little attention on assisting business to identify or navigate them
- Each agency markets its own programs – when budget is tight – all suffer
Technical Asst:
- DECD
- CCT (tourism)
- ConnSTEP
- CERC (Business Resource Center)
- CCAT
- SBDC(5)
- US DOC Export Asst.
- SCORE
- ITBD (@CCSU)
- PTAP (@ SECTER)
- Connecticut Business Incubator Network (7)
- Institute for Sustainable Energy (@ECSU)
- Ct Center for Entrepreneurship and Innovation (@UConn Business)

Federal:
- SBA

State:
- DECD
- DRS (tax credits)

Quasi publics:
- CDA
- CII
- CHEFA
- CHFA

Energy Funding:
- CEEF
- CCEF
- OPM
- ECLP (DECD/CHIF)

Regional:
- Regional Revolving Loan Funds (13)

Other Ec Dev Organizations/Assns:
- CBIA
- Cluster Organizations (7 active)
- Chambers of Commerce (approx. 90)
- Regional Planning Organizations
- Business Council of Fairfield County
- Metro Hartford Alliance
- Women's Business Development Center
- Angel Investors' Forum
- Entrepreneurial Women’s Network
- Regional Growth Partnership (South Central CT)

Workforce Development/Training
- CT DOL
- OWC
- Workforce Investment Boards
- CETC
- Community Colleges

Businesses Accessing these programs
Business Development: Organization

- Difficult for businesses to navigate
- Fragmented program delivery
- Duplicative and expensive
Business Development –
State’s Organizational Structure

- **DECD = 117**
  - Executive – 3
  - Managers -15
  - Community/Economic Development (&film) – 52
  - Administrative/support (engineer, accounting, fiscal, IT)- 47

- **CDA = 26**
  - Executive - 11
  - Business Development - 6
  - Support – 9

- **CII = 25**
  - Executive - 1
  - Investments-10
  - External/marketing-6
  - Administrative/support-8

- **Clean Energy Fund - 19** (also in CII)
  - Executive - 1
  - Energy projects - 12
  - Admin/support - 6

- **CHFA = 133**
  - Executive - 3
  - Asset management – 34
  - Finance – 27
  - Housing -3
  - Underwriting -27
  - Support (legal, IT) -39

- **CHEFA= 22**
  - Executive – 5
  - Project Dev. -17
Business Development

- **Address** the organizational piece
  - lessen the economic development *patchwork*;

- Require an online single point of entry for business
Organizational Options

OPTION ONE:

- Move business development part of DECD to a merged quasi-public;

- DECD no longer operate financial assistance;

- 16 business development staff from DECD would serve as case managers/ brokers to businesses, but operate no programs;

- Case managers would be to provide technical assistance to businesses – could be organized by industry cluster area, with special emphasis on exporting activity and small business
Organizational Options

OPTION TWO:

- All Agencies and programs merged and operated into one quasi-public – still operating same programs -- as well as current DECD programs--
  
  But

- Would be single entity offering state financial assistance to businesses
- Could be bureaus of a single quasi-public but with executive and administrative staff reduced
- DECD Business Development Staff would serve as business case managers in either scenario
Option Two: One Merged Quasi-Public

- Current total staff of 6 Economic Development-type agencies – 342
  - Currently 21 Executive level staff and 15 managers = 36
    - If limited to 5% = 17 positions Saves 19 positions
  - Currently 109 administrative support type positions
    - If limited to 20% = 69 positions Saves 40 positions