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FISCAL NOTE (Form 3)  
 (Office of Fiscal Analysis)  
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BILL NUMBER: SHB 5854  
 FILE NUMBER:  
 AMENDMENTS: House "A", "B" & "C"

TITLE: "AN ACT CONCERNING JOB DEVELOPMENT CAPITAL INVESTMENT AND THE CREDIT CRISIS AND ESTABLISHING A TAX INCREMENTAL FINANCING PROGRAM"

FAVORABLY REPORTED BY Commerce and Exportation, Finance, Revenue and Bonding, Planning and Development

EFFECTIVE DATE: 7/1/92

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FISCAL IMPACT STATEMENT - BILL NUMBER SHB 5854

STATE IMPACT See Explanation Below

MUNICIPAL IMPACT Potential Revenue Gain, see explanation below

STATE AGENCY(S) Department of Economic Development, Connecticut Development Authority, Connecticut Innovations Inc., Income Maintenance and Central Connecticut State University

	Current FY	1992-93	1993-94
State Cost (savings)	:	:114,000,000	:
	:	:G.O. Bonds	:
St Revenue (loss)	:	:	:
Net St Cost (savings)	:	:	:
Municipal Impact	:	:	:

EXPLANATION OF ESTIMATES:

CONNECTICUT DEVELOPMENT AUTHORITY (CDA)

- New Bond Authorizations to CDA

The bill as amended authorizes a total of \$110 million in General Obligation bonds for various economic development bond programs.

The bill as amended authorizes \$84 million to be used by the Connecticut Development Authority for purposes of guaranteeing loans and other investments through the Connecticut Works Fund

Program. The interest to bond \$84 million over 20 years at 6 3/4% is \$56.7 million.

Further, the bill as amended authorizes \$20 million for loans and local guarantees to be utilized by the Connecticut Development Authority to establish a two-year pilot Small and Medium-Sized Business Line of Credit Program. The interest to bond \$20 million over 20 years at 6 3/4% is \$13.5 million.

In addition, the bill as amended authorizes \$5 million to be used by the Connecticut Development Authority for the Connecticut Capital Access Fund which will provide portfolio insurance to participating financial institutions and assist them in making loans that are somewhat riskier than conventional loans. The interest cost to bond \$5 million over 20 years at 6 3/4% is \$3.4 million.

Finally, the bill as amended authorizes \$1 million for use by the Connecticut Development Authority for a Regional Revolving Loan Trust Fund. The interest cost to bond \$1 million over 20 years at 6 3/4% is \$675,000.

- Incremental Financing Program

There will be a cost to the state for debt service as the bill as amended requires that the principal and interest payments are deemed to be appropriated from the General Fund. The interest payments made by the State prior to the revenue generated by the project must be capitalized. In future years, the incremental revenue should cover both the debt service expenses as well as the capitalized interest.

If, however, the project fails or the revenue generated falls short of the projected estimates the State is still responsible for meeting all the principal and interest payments.

- No-Interest Loan Program

House "A" also authorizes CDA to use the Business Assistance Fund to make no-interest loans to municipal economic development commissions or regional outreach centers. As of 3/31/92, \$9.5 million remains unallocated in the Comprehensive Business Assistance Fund.

DEPARTMENT OF ECONOMIC DEVELOPMENT (DED)

The bill as amended authorizes a total of \$4 million in General Obligation Bonds to DED for various programs.

- Flexible Manufacturing Network

House "A" authorizes \$1 million in General Obligation bonds for a flexible manufacturing network program. The interest cost to bond \$1 million over 20 years at 6 3/4% is \$675,000. The Department of Economic Development will use these funds for grants, including the costs of consultants to help businesses update machinery, marketing plans, and seminars.

- Surety Bond Guarantee Program

House "A" also establishes a surety bond guarantee program and authorizes \$2.5 million in General Obligation bonds for a revolving fund for this purpose. The interest cost to bond \$2.5 million over 20 years at 6 3/4% is \$1,657,500. Administrative costs to the Department of Economic Development for the program are estimated at \$125,000 to \$150,000 for 2 employees and associated expenses. These costs are to be paid through fees for processing applications for the program in future years and through the bond authorization (maximum of 5%) in FY 92-93. In addition, the state could incur losses due to the state guarantee if small contractors and subcontractors fail to live up to the terms of the surety's bond. The extent of these losses, if any cannot be determined.

- 3-Year Demonstration Program

House "A" requires DED in consultation with Income Maintenance to establish a 3 year demonstration program for training low-income people. The amendment authorizes \$500,000 in General Obligation Bonds for this program. The interest cost to bond \$500,000 over 20 years at 6 3/4% is \$337,000. It is anticipated that Income Maintenance could incorporate the requirements of the amndment within the Job Connection Program, within the current services budget.

- Inventors Workshop

In addition, House "A" requires DED to solicit applications for and fund at least one inventors' workshop in FY 1992-93 through the Manufacturing Assistance Act reallocating funds to a specific project. As of 3/31/92, \$34.6 million remains unallocated in the Manufacturing Assistance Act Fund.

- Manufacturing Deployment Study

Requiring that Connecticut Innovations, Inc. (CII) in consultation with the Connecticut Academy of Science and Central Connecticut State University's Center of Industrial and Engineering Technology

conduct a study proposing a framework for the transfer of existing high tech manufacturing processes to manufacturing businesses in Connecticut and report back to the Commerce and Exportation Committee by January 15, 1993 would cost approximately \$50,000. Since new funding is not provided, CII will have to redirect current resources.

- Defense Diversification

Increasing the scope of projects eligible for funding under defense diversification could increase the need for future funding.

House Amendments "B" and "C" make procedural changes and have no fiscal impact.

MUNICIPAL IMPACT: Certain municipalities could incur a revenue gain since municipalities are eligible for grants under the Flexible Manufacturing Networks program. The no-interest loan program could also increase revenue to various municipalities.

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