

# 2017 Revised Annual Report



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**Department of Economic and  
Community Development**



Catherine H. Smith  
Commissioner

Department of Economic and  
Community Development

Connecticut  
still revolutionary

May 31, 2018

Dear Reader,

I am pleased to present to you DECD's Revised Annual Report for the fiscal year 2017. It has been revised to address a number of inconsistencies and errors in the original version.

With the corrections now in place, the story of the effectiveness of the DECD programs in the annual report remains unchanged. I believe, and I trust you will agree after reading this updated report, that DECD's programs continue to have a meaningful and positive influence on the state's economy.

To make it easy for you to see what information is new compared to the prior version of the 2017 annual report, we have indicated the changes in *italic* font.

Of course, if you have concerns, questions or suggestions, please feel free to reach out to me.

All the best,

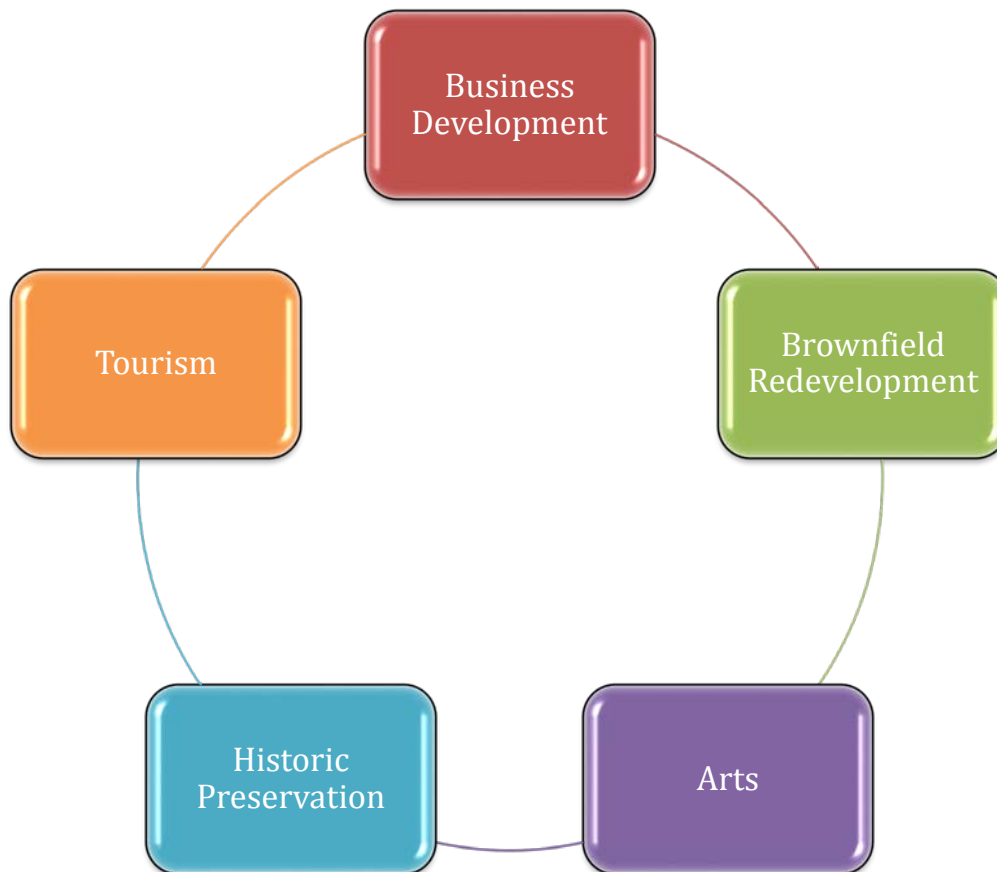
A handwritten signature in blue ink, appearing to read "Catherine Smith", with a long, sweeping underline.

Catherine Smith

# DECD in Action

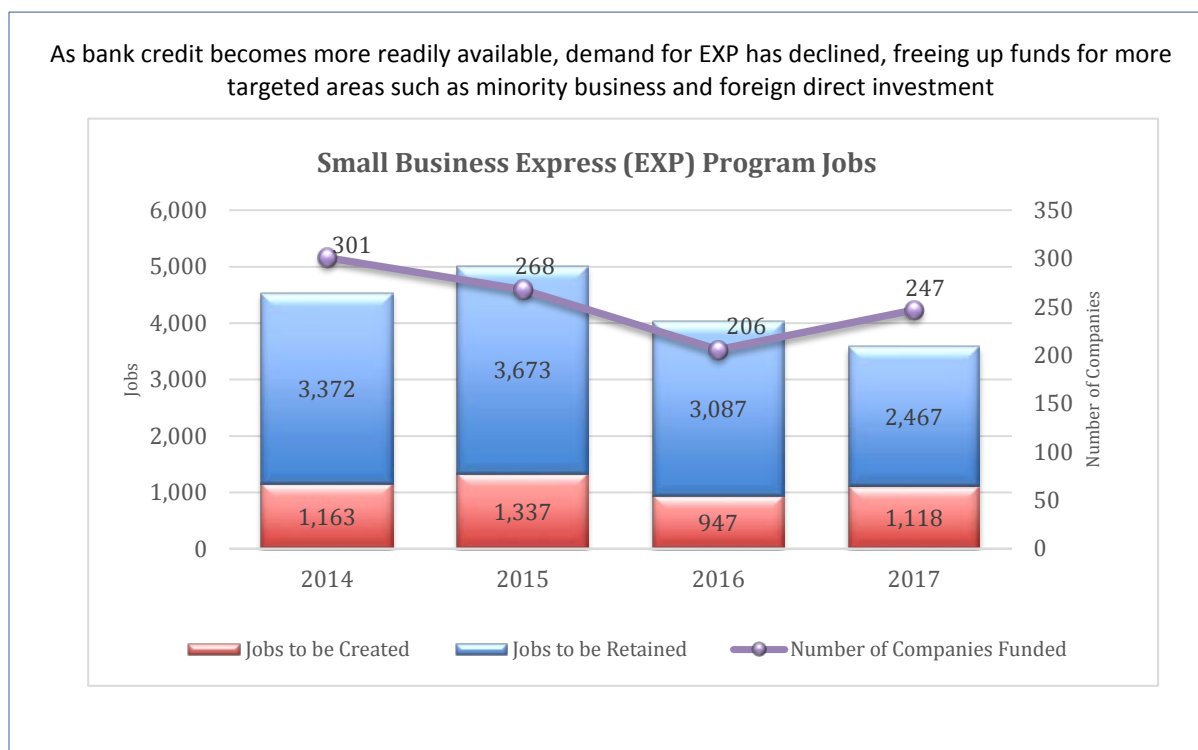
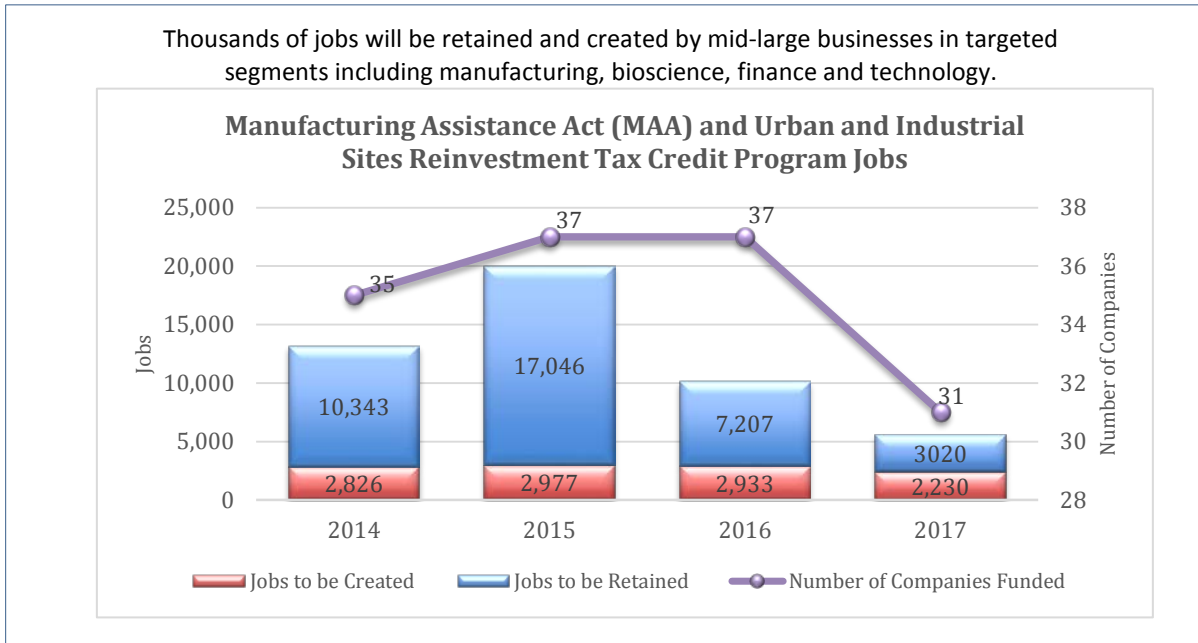
DECD is a small agency that makes a BIG impact.

Through the hard work of its talented staff, the department had many noteworthy accomplishments in fiscal year 2017 in brownfield remediation and redevelopment, tourism, the arts, historic preservation, and business development. These distinct areas of focus are interconnected in that they all help build stronger neighborhoods, positively impact the state's economy and improve the overall quality of life for Connecticut residents.

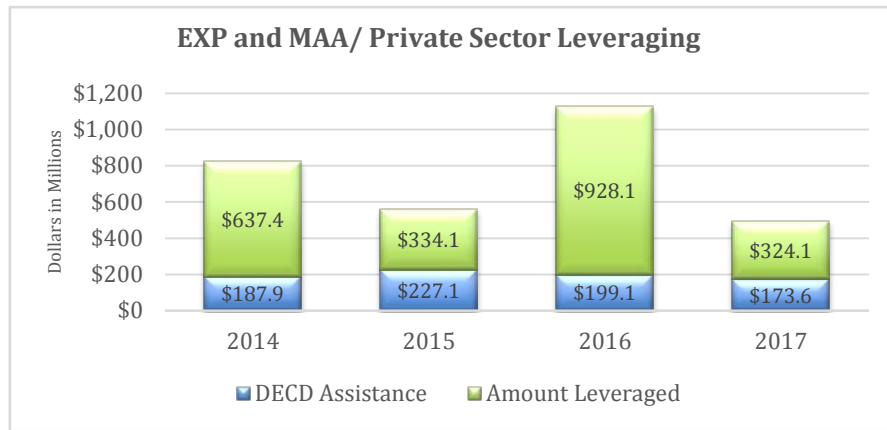


# DECD by the Numbers

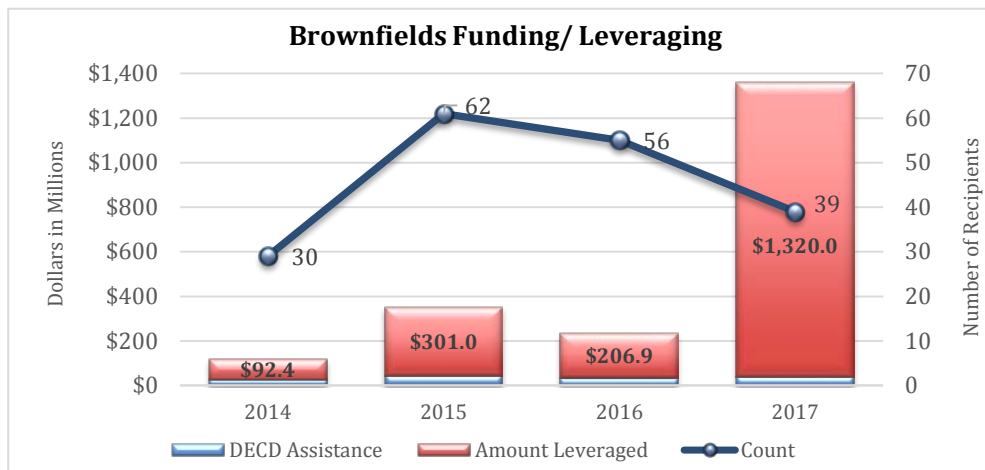
As this annual report illustrates, DECD measures its influence and impact in many ways. The charts below highlight some of the department's key programs.



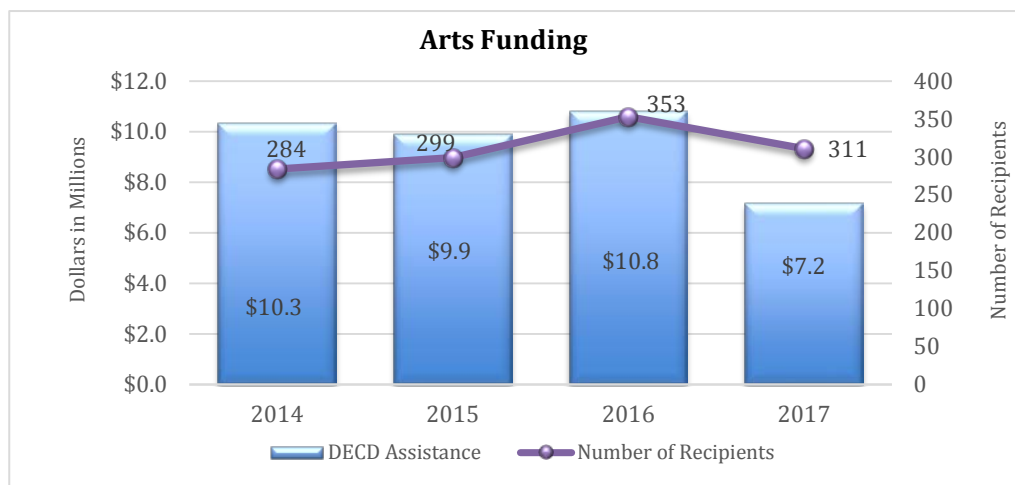
In FY 2017, for every dollar of DECD business assistance funding, \$1.84 dollars were leveraged from private sources



\$196 million in brownfield funding has helped clean over 270 sites across Connecticut



Every year, small grants support hundreds of artists, public art installations and operations for cultural organizations throughout the state. Decline is due to budget reductions.



# DECD Year in Review

The Department of Economic and Community Development (DECD) continued to build momentum on many fronts in fiscal year 2017.

## Business Development

Connecticut's economic toolbox is versatile and effective, supporting companies of all sizes and types. In 2017 business growth was key in creating new jobs and spurring capital investment, in part supported by DECD programs.

Overall, DECD's strategic investments to support business growth (through Small Business Express and Manufacturing Assistance Act funding) are paying off. Here's a snapshot of fiscal 2017:

- *278 companies are being assisted, with 3,521 jobs to be created and 5,510 jobs retained;*
- *\$324 million of private sector funds were leveraged to grow jobs and expand the economy*

Since 2011, from a broader portfolio perspective, the numbers in our portfolio are even more impressive:

- *1,998 companies assisted, with 27,350 jobs to be created and 75,975 jobs retained*
- *\$4.6 billion has been leveraged from the private-sector*
- *107% of expected jobs have been created and retained*

*Note: 2017 data includes active, direct MAA and EXP recipients. Portfolio data includes active, direct MAA and EXP recipients and two tax credit programs (URA and JET).*

### Highlights from larger scale projects included:

- Sikorsky - Lockheed Martin announced it is keeping Sikorsky Aircraft's worldwide headquarters located in Stratford through at least 2032, where the company will retain and grow approximately 8,000 direct jobs. As part of the agreement to construct the CH53K heavy lift helicopter in the state, Sikorsky has also pledged to nearly double its spending of \$350 million per year among in-state suppliers.
- Amazon - announced it is building a 855,000 square-foot fulfillment center in North Haven, creating 1,800 jobs
- SCA Pharmaceuticals - Arkansas-based company established manufacturing facility in Windsor that will employ 361 workers
- AQR Capital Management - announced plans to expand its headquarters and operations in Connecticut, adding up to 600 jobs
- Henkel - moved its Laundry & Home Care and Beauty headquarters from Arizona to Stamford, creating up to 266 jobs



United Technologies unveiled its new and expanded \$60-million innovation hub on its East Hartford campus. The new center, comprising 185,000 square feet of office and laboratory space, employs over 500 people, more than 350 of whom have doctoral degrees.

UTC also announced plans to add two new facilities in East Hartford – a \$75-million Additive Manufacturing Center of Excellence and a \$40-million Engine Compressor Research Facility. The research centers are part of UTC's agreement with the state to spend \$500 million to upgrade and expand its Connecticut research facilities.

There was no shortage of small businesses success stories as well.

The state's primary financial assistance program for small businesses, the Small Business Express Program, continued to provide financial assistance to support growth at all types of companies, from "mom and pop" stores to high-tech firms. The results are impressive: through June 30, 2017 the program has assisted 1,807 companies that are promising to create and retain over 27,000 jobs.

Marion Manufacturing Company, Inc., a leader in progressive stamping and precision metal components, is growing in Cheshire thanks to a \$225,000 loan for new machinery and equipment.

"For more than a half a century Marion Manufacturing Company has been a leader in progressive metal stamping, and this new equipment will help maintain our edge in this highly competitive industry. Our partnership with the state and the EXP program made this project possible and allowed the company to focus its resources on future growth."

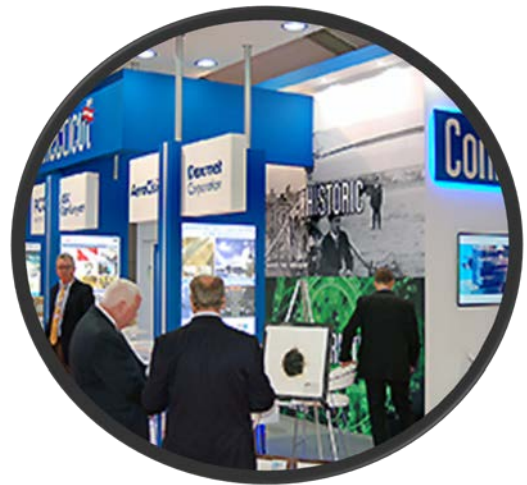
*Douglas Johnson, President*

DECD's \$75 million Manufacturing Innovation Fund continued to strengthen the competitiveness of supply chain companies throughout the state. Its voucher, incumbent worker and apprenticeship programs, for example, helped hundreds of companies boost innovation and invest in their workforce. Program metrics are below.

Results	2015	2016	2017	Cumulative Totals
<b>Total Funding to Companies</b>	\$4,448,675	\$9,420,193	\$18,056,424	\$31,125,292
<b>Companies</b>	120	299	478	897
<b>Board Approved Program Funds</b>	\$26,829,000	\$5,347,200	\$11,594,865	\$43,771,065
<b>Leveraged</b>	\$26,479,000	\$46,969,084	\$25,771,751	\$99,219,835
<b>Jobs Retained &amp; Created</b>	0	1911	2585	4496
<b>Employees Trained</b>	1400	1360	4554	7314
<b>Apprentices</b>	0	108	134	242
<b>Number of New Programs</b>	3	2	4	9

DECD supports business growth in other ways as well. The department, for example, allows smaller aerospace companies exhibit with the state at international air shows.

Most recently fourteen Connecticut aerospace manufacturers met with potential customers from around the world at the Paris Airshow — all as part of the State of Connecticut's tradeshow booth. Since Connecticut began organizing trips to the Farnborough and Paris air shows in 2006, exhibiting companies have generated more than \$400 million in sales from this exposure.

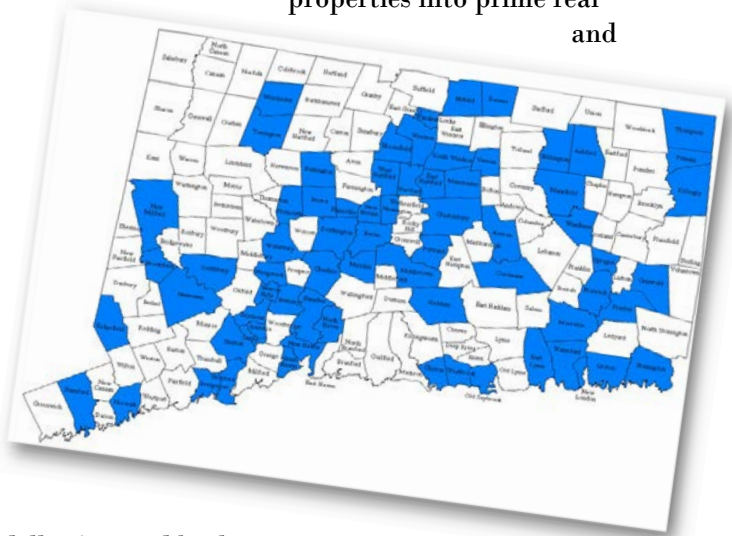




## Brownfield Remediation and Redevelopment

DECD also plays a role in creating growth opportunities where they didn't exist before. The department's brownfield remediation and redevelopment programs and investments, for example, are transforming contaminated properties into prime real estate for new housing, business expansion and recreation.

As the map illustrates, DECD's has made investments in more than 70 of Connecticut's cities and towns. The portfolio of brownfield projects is impacting dozens of communities (indicated in blue) across the state:



*In the last 10 years, DECD's Office of Brownfield Remediation and Development has invested \$196 million to remediate*

*3,351 acres of contaminated land. For every dollar invested by the state on brownfield programs, non-state partners have put in \$10.69.*

### DECD in Action:

The Capewell Horse Nail Company in Hartford was in business for 100 years before the company closed in 1981. Since then the building had stood vacant. With DECD's assistance, including a \$3.5 million brownfield loan and over \$9 million state and federal historic tax credits, the site was successfully transformed into 72 units of housing (including 15 affordable units) and 5,000 square feet of commercial space. What's more, the project has been a catalyst for further revitalization in the neighborhood.



## Tourism

DECD works to make tourism a leading economic contributor and to position the state as a prime destination for leisure and business travelers.

In 2017 DECD's Office of Tourism released the results of its latest Tourism Economic Impact Study that underscored the economic importance of the industry sector. Highlights included:



The state's tourism website, [www.CTvisit.com](http://www.CTvisit.com), offers more than 4,000 reasons to visit Connecticut, where travelers can find information about places to visit, stay and eat in Connecticut as well as hundreds of inspirational travel stories, vacation deals and event listings all in one place. Visits to [CTvisit.com](http://CTvisit.com) increased 38.59% from FY 2015-16 to FY 2016-17.

The Office of Tourism announced the launch of a new Regional Marketing Program designed to expand its partnerships with organizations from every region of the state committed to promoting tourism. The program's mission is to work even more closely with regional organizations to help tourism-related businesses capitalize on the state's existing broad array of marketing initiatives.

## Arts

DECD values the arts as a core feature of vibrant communities and views the arts as essential in attracting and retaining talent by offering a diverse palette of life experiences. As a result, DECD, through its Office of the Arts, invests in Connecticut artists and arts organizations and encourages public participation in creative endeavors.

2017 was an important year for DECD's Office of the Arts on several fronts. It released a five-year statewide strategic plan for creating a more vibrant, far-reaching and impactful arts and culture sector in the state. The plan, which guides its programs and services from 2017-2021, was developed using a human-centered design approach with constituents. Through the plan the office developed a new framework that focuses on Relevance, Equity, Access, Diversity, and Inclusion known as READI.

The Office of the Arts also participated in the Americans for the Arts (AFTA), Arts & Economic Prosperity Study (AEP5). Study results showed Connecticut generated \$797,249,391 in economic activity in 2015 and arts and culture nonprofits employed 23,114 full-time equivalent jobs, generating \$42,528,000 in state government revenue.



### DECD in Action:

One of the responsibilities of the Connecticut Office of the Arts (COA) staff is to facilitate the selection of artists and installation of public art at publicly accessible state operated sites across the state. Artwork commissioned through the program is located on campuses of community colleges and state universities. Artwork can also be found at various state agencies and throughout the technical high school network.



The photos are from Emmett O'Brien Technical High School in Ansonia, where DECD staff supported the installation of a transparent laminated glass & interactive LED system. The public art installation is based on paintings by Deanna Sirlin titled "Before You Leap."

## Historic Preservation

Through the State Historic Preservation Office (SHPO), DECD administers a broad range of federal and state programs that identify, register and protect the buildings, sites, structures, districts and objects that comprise Connecticut's cultural heritage.

Here are just a few of the office's many accomplishments in 2017:

- ❖ reviewed or provided guidance on nearly 3,000 projects throughout the state to avoid or reduce development impacts on our state's most important historic resources.
- ❖ accepted 38 new projects into the State Historic Rehabilitation Tax Credit program and reserved \$31.7 million in tax credits for 18 projects which supported critical revitalization efforts. The total project costs for the 18 projects is over \$149 million, which leverages the state's investment by an over 4:1 ratio.
- ❖ reserved over \$1.3 million in tax credits for 84 homes through the Historic Homes Rehabilitation Tax Credit program, generating over \$4.5 million in local rehabilitation expenditures. This direct assistance to our constituents enhances stewardship of historic properties and pride in homeownership.
- ❖ listed 10 properties to the National Register of Historic Places and 9 properties on the State Register of Historic Places.

The National Park Service is America's story teller and as that agency's statewide regulatory partner, SHPO is responsible for telling Connecticut's story through preservation of the state's historic sites, buildings, structures and archaeological resources.

### **DECD in Action:**



In late 2016, with support from SHPO, the James Merrill House in Stonington was designated as a National Historic Landmark. James Merrill (1926-1995), a celebrated American poet, lived and worked in the house beginning in 1956. According to the NHL nomination, Merrill “wrote of the subtlety and sympathy of homosexual life.” Today, the house is a museum to his legacy that also runs an active writer-in-residency program.

As this annual report demonstrates, the department continues to create opportunities for Connecticut's residents, businesses and communities. These opportunities are helping strengthen the state's economy and improve the quality of life for everyone.

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Through its many diverse programs and activities, DECD will continue to follow through on its economic development strategy, monitoring progress and making adjustments along the way. And the department will work to strengthen the public-private partnerships that are putting Connecticut on a growth trajectory for years to come.

The sections that follow provide a more detailed review of DECD's projects, programs and portfolios.

**TABLE OF CONTENTS**

**I. BUSINESS ASSISTANCE TAX CREDITS ..... 12**

A. DECD Administered Business Assistance Tax Credits .....12

B. Non-DECD Administered Business Assistance Tax Credits.....36

**II. ECONOMIC DEVELOPMENT PROGRAMS AND ACTIVITIES..... 48**

A. Economic Development Investment Analysis.....48

B. Economic Development Direct Assistance Programs .....50

C. Job Creation and Retention Analysis .....54

D. Wage Analysis .....56

E. International Trade and Foreign Direct Investment.....58

F. Airport Development Zones .....59

G. Office of the Permit Ombudsman.....60

H. Brownfields.....63

**III. COMMUNITY DEVELOPMENT PROGRAMS..... 68**

A. Community Development Impact .....68

B. Capital Projects .....68

C. State Historic Preservation Office (SHPO).....68

D. Connecticut Office of the Arts (COA).....72

E. Connecticut Office of Tourism .....78

**IV. EMPLOYMENT INDICATORS AND GROSS STATE PRODUCT (GSP)..... 80**

A. Industry Employment .....80

B. Unemployment Rates .....81

C. Gross State Product (GSP) by Industry .....81

**V. TAX CREDIT ANALYSIS APPENDIX ..... 83**

A. Methodology for Evaluating the DECD Tax Credits.....83

## **I. BUSINESS ASSISTANCE TAX CREDITS**

### **A. DECD Administered Business Assistance Tax Credits**

For a detailed listing of DECD tax credit recipients, please visit:

<https://data.ct.gov/Business/Department-of-Economic-and-Community-Development-T/ihra-gwrn/data>

#### **I. Connecticut Aerospace Reinvestment Act**

##### **i) Program Description**

Under the terms of this Act, United Technologies Corporation (UTC) will:

- Construct a new Pratt & Whitney (P&W) corporate headquarters, which it will keep in Connecticut for a minimum of 15 years
- Construct a new P&W worldwide engineering center of excellence in Connecticut
- Keep Sikorsky corporate headquarters in Connecticut for a minimum of 5 years
- Create a customer training center at UTC Aerospace Systems (UTAS) in Windsor Locks
- Build new labs and infrastructure at United Technologies Research Center (UTRC)
- Invest in new research projects and capital investments at P&W, Sikorsky, UTAS and UTRC.

In return for these investments, UTC will be allowed to exchange approximately \$20 million per year of previously earned but unused tax credits to finance construction during the first five years. Thereafter, the earned but not yet used credits will be spread over the remaining 9 years. The exchanged credits will be offset with tax reductions over a 14 year period, with the final amount based on the company's level of jobs, wages and investments.

##### **ii) Program Activity**

UTC has to “earn” the use of the tax credits by achieving levels in four key areas: employment, payroll, engineering staff and capital expenditures (as indicated below). Through June, 2017, the Company has earned a total of \$245 million of the \$400 million of authorized credits for exchange. Two years remain for them to earn the balance.

During 2017, UTC opened its revitalized UTC Research Center and Engineering buildings, both of which were required to be built as part of this legislation.

<b>Table 1: UTC Exchange Activity</b>			
<b>Fiscal Year</b>	<b>Amount Earned</b>	<b>Amount Awarded</b>	<b>Bankable Balance</b>
2015	\$73,843,630	\$20,000,000	\$53,843,630
2016	\$49,725,651	\$20,000,000	\$29,725,651
2017	\$121,636,463	\$20,000,000	\$101,636,463
<b>TOTAL</b>	<b>\$245,205,744</b>	<b>\$60,000,000</b>	<b>\$185,205,744</b>

Source: DECD

<b>Table 2: UTC Employment Levels as of 12/31/2016</b>			
	<b>P&amp;W</b>	<b>UTAS</b>	<b>UTRC</b>
Engineers	3,566	1,124	294
Total Employment	10,058	4,401	475
Total CT Payroll	\$1,502,104,238		

Source: UTC

<b>Table 3: UTC Expenditures as of 12/31/2016</b>			
	<b>P&amp;W</b>	<b>UTAS</b>	<b>UTRC</b>
Capital Expenditures	\$123,009,361	\$32,617,249	\$3,909,462
R&D Expenditures	\$581,150,789	\$87,067,927	\$39,618,034
Qualified Capital Expenditures	\$95,086,738	\$10,682,561	\$40,674,046

Source: UTC

Note: Qualified Capital Expenditures are for the time period 7/1/2016-6/30/2017

## 2. Urban and Industrial Site Reinvestment Tax Credit

### i) Program Description

URA credits are designed to incent development of new jobs and economic activity by companies or developers across the state. The full tax credit is allowable over ten years as follows:

- The income year in which the investment was made and the two succeeding income years, 0%;
- The third full income year following the year in which the investment was made and the three succeeding income years, 10%; and,
- The seventh full income year following the year in which the investment occurred and the two succeeding income years, 20%.

The Urban and Industrial Site Reinvestment Tax Credit program is capped at \$800 million in awardable credits and individual projects may not exceed \$100 million in awardable credits.

If a project exceeds \$20 million in awardable tax credits, it must be approved by the legislature. These credits may be assigned once by the holder.

**ii) History of the Urban and Industrial Site Reinvestment Tax Credit**

*The table below shows the recipients of Urban and Industrial Site Reinvestment tax credits, along with the total project costs, total tax credits awarded and earned (the state's tax cost). The total credits awarded as presented below represent the potential credits the company may claim. Credits for which certificates were issued to companies by DECD through FY 2017 are listed under "credits earned". The total project costs listed in the table are the basis for the tax credit award. The Revised 2017 report reflects 6 additional companies for a combined additional \$91,000,000 of tax credits awarded. The table now only includes Total Credits Earned based on Certificates of Continued Eligibility (CCE) issued before 06/30/17 (resulting in a reported reduction of \$17,850,000 of credits earned that will be included in fiscal year 2018).*

<b>Table 4: Urban and Industrial Site Reinvestment Tax Credits Through FY 2017</b>					
<b>Applicant</b>	<b>Town</b>	<b>Contract Calendar Year</b>	<b>Total Tax Credits Awarded</b>	<b>Total Project Cost</b>	<b>Total Credits Earned</b>
Diageo North America, Inc.	Norwalk	2004	\$40,000,000	\$107,100,000	\$34,872,000
Lowe's Home Centers, Inc.	Plainfield	2004	\$20,000,000	\$80,000,000	\$15,944,575
FactSet Research Systems, Inc.	Norwalk	2005	\$7,000,000	\$36,050,000	\$6,973,970
Eppendorf Manufacturing Corporation	Enfield	2005	\$5,000,000	\$23,100,000	\$5,000,000
Greenwich Capital Markets, Inc. n/k/a RBS Securities Inc.	Stamford	2006	\$100,000,000	\$345,000,000	\$100,000,000
Blue Sky Studios, Inc.	Greenwich	2008	\$18,000,000	\$65,000,000	\$5,400,000
Prudential Retirement Insurance & Annuity Co.	Hartford	2009	\$8,000,000	\$12,600,000	\$8,000,000
Comcast of Connecticut, Inc.	Enfield	2009	\$5,000,000	\$7,572,643	\$5,000,000
Aldi, Inc. (Connecticut)	Windsor	2009	\$1,900,000	\$52,400,000	\$1,900,000
Burris Logistics, Inc.	Rocky Hill	2009	\$2,000,000	\$56,819,000	\$1,400,000
Engineered Electric Company	Bridgeport	2009	\$10,000,000	\$15,115,000	\$4,000,000
d/b/a DRS Vermont					
CF Foods, LLC	New Britain	2009	\$2,000,000	\$22,008,000	\$200,000
Gen Re Corporation	Stamford	2010	\$19,500,000	\$130,000,000	\$15,600,000
Starwood Hotel & Resorts	Stamford	2010	\$75,000,000	\$75,000,000	\$30,000,000
Gartner, Inc.	Stamford	2010	\$20,000,000	\$27,000,000	\$16,000,000
Nestle Waters North America	Stamford	2010	\$5,000,000	\$27,800,000	\$3,000,000
Higher One, Inc.	New Haven	2011	\$18,500,000	\$45,916,463	
Eppendorf Manufacturing Corporation - Phase 2	Enfield	2011	\$10,000,000	\$17,610,300	\$6,000,000
Design Within Reach, Inc.	Stamford	2011	\$1,500,000	\$5,000,000	\$450,000



**Table 4: Urban and Industrial Site Reinvestment Tax Credits Through FY 2017**

<b>Applicant</b>	<b>Town</b>	<b>Contract Calendar Year</b>	<b>Total Tax Credits Awarded</b>	<b>Total Project Cost</b>	<b>Total Credits Earned</b>
Chemtura Corporation	Middlebury	2011	\$8,000,000	\$11,734,000	\$3,200,000
CIGNA Health and Life Insurance Company	Bloomfield	2011	\$30,000,000	\$154,995,080	\$9,000,000
FactSet Research Systems, Inc. (Project 2)	Norwalk	2012	\$8,000,000	\$10,000,000	\$2,400,000
Dollar Tree Distribution, Inc.	Windsor	2012	\$20,000,000	\$104,300,000	\$4,000,000
<i>Alexion Pharmaceuticals, Inc.</i>	<i>New Haven</i>	<i>2012</i>	<i>\$25,000,000</i>	<i>\$103,000,000</i>	<i>\$2,500,000</i>
Plainfield Renewable Energy, LLC	Plainfield	2013	\$10,000,000	\$230,418,975	\$3,000,000
Massachusetts Mutual Life Insurance Company	Enfield	2013	\$13,000,000	\$30,000,000	
Frito-Lay, Inc.	Dayville	2013	\$3,000,000	\$38,000,000	\$900,000
HomeServe USA Corp.	Norwalk	2013	\$15,000,000	\$33,075,433	
Starwood Hotel & Resorts	Stamford	2014	\$20,000,000	\$30,000,000	
ESPN, Inc.	Bristol	2014	\$10,000,000	\$175,000,000	\$4,000,000
Pitney Bowes	Stamford	2014	\$10,000,000	\$25,100,000	\$1,000,000
Vineyard Vines	Stamford	2014	\$8,000,000	\$12,000,000	\$800,000
Lee Company	Westbrook	2015	\$10,000,000	\$50,000,000	\$1,000,000
XL America, Inc.	Hartford	2015	\$9,600,000	\$10,620,000	
<i>Fed Ex</i>	<i>Middletown</i>	<i>2015</i>	<i>\$20,000,000</i>	<i>\$220,000,000</i>	
Fuel Cell Energy, Inc.	Danbury	2015	\$10,000,000	\$45,000,000	
Praxair, Inc.	Danbury	2016	\$16,000,000	\$16,000,000	
<i>Bridgewater Associates, LP</i>	<i>Westport</i>	<i>2016</i>	<i>\$30,000,000</i>	<i>\$527,500,000</i>	
Conair Corporation	Stamford	2016	\$15,000,000	\$30,075,654	\$3,000,000
Bob's Discount Furniture	Manchester	2016	\$11,000,000	\$57,000,000	
<i>First Alliance</i>	<i>East Hartford</i>	<i>2016</i>	<i>\$4,000,000</i>	<i>\$12,746,593</i>	
<i>Polamer Precision</i>	<i>New Britain</i>	<i>2017</i>	<i>\$10,000,000</i>	<i>\$46,000,000</i>	
<b>Total</b>			<b>\$684,000,000</b>	<b>\$3,123,657,141</b>	<b>\$294,540,545</b>

Source: DECD

The claims trend for the URA tax credit is included in the appendix (page 89). In recent years the hospital industry has claimed the largest portion of these tax credits (\$79 million from 2005-2014), followed by the insurance industry (\$26 million over the same period).

### iii) Net Economic Impact of the Urban and Industrial Site Reinvestment Tax Credit

This section evaluates the total economic impact of the URA tax credit, using the REMI Tax PI model. The total economic impact includes the direct, indirect and induced effects of each tax credit, and includes the complete fiscal impact as well (total, indirect and induced state government revenues and expenditures). For more detail on the modeling methodology, refer to the Appendix on page 83.

The table below shows the cumulative changes of certain economic variables with respect to the baseline forecast of the state economy due to the recipient firms' combined projects. *A total of \$298,140,545 earned credits are modeled, which is \$3,600,000 higher than the earned credits shown the table above. This is because credits for which certificates were issued after 6/30/17 (the cutoff date for the table above) were included in the impact analysis if the activity that earned the credit occurred before the end of calendar year 2016. This aligns the earned tax credit with its associated economic activity in the modeling process. The economic impact analysis in the Revised 2017 report includes the companies previously not included.*

The eligible projects for this program have produced more state revenue than they cost (which includes the amounts of credits claimed). Over the period during which this program has been in effect, the REMI Tax PI model estimates that the state has earned fiscal revenues totaling over \$909 million, which more than offsets the total \$298 million credits that have been earned so far. The state earns an estimated \$3.05 of gross revenue for each dollar of tax credit certificates issued.

<b>Table 5: Economic Impact of Earned URA Tax Credits, CY 2003-2016</b>			
	<b>Annual Average 2003-2016</b>	<b>Cumulative Total 2003-2016</b>	<b>Revenue earned per \$1 of credit</b>
Total Credits Earned	\$21,295,753	\$298,140,545	
Total Employment	11,396		
Total Private Non-Farm Employment	11,083		
Gross Domestic Product (GDP)	\$1,480,821,091	\$20,731,495,271	
State Revenues	\$64,952,223	\$909,331,124	\$3.05
State Expenditures	\$12,601,072	\$176,415,007	
Net State Revenue	\$52,351,151	\$732,916,117	

Source: DECD

**iv) Recommendation:**

We recommend maintaining the URA tax credit program as is because it has generated sizable net benefits. Moreover, qualifying firms must be audited each year and may incur penalties and/or reduced tax credits if they do not meet job or net benefit requirements. This allows DECD to closely monitor the program, track the economic activities and benefits associated with the program, and only provide tax benefits for value created.

### 3. Film Television and Digital Media Tax Credits

The Office of Film, Television & Digital Media assists film, television and digital media companies with three tax incentive programs based on qualified in-state expenditures.

During FY 2017, an estimated \$296 million was spent in Connecticut by qualified productions. 59 tax credit applications were processed and \$86 million in tax credits were issued to 25 production companies.

Table 6: DECD FY 2017 Film Tax Credit Activity <sup>1</sup>			
Tax Credit Program	Company Spend	Tax Credits Issued	Number of Companies
Film, Television & Digital Media	\$265,757,314.00	\$79,363,125.80	25
Digital Animation Production Co.	\$30,174,468.00	\$6,530,970.00	1
Film Infrastructure	\$0	\$0	0
<b>TOTAL</b>	<b>\$295,931,782.00</b>	<b>85,894,095.80</b>	<b>26</b>

Source: DECD

Note: One company received credits under two programs.

#### i) Economic and Fiscal Impacts of the Film Tax Credits

The following section evaluates the total economic impact of the three film tax credits separately, using the REMI Tax PI model. The total economic impact includes the direct, indirect and induced effects of each tax credit, and includes the complete fiscal impact as well (total, indirect and induced state government revenues and expenditures). *Due to a lag in the industry-level claims data that is supplied to DECD by DRS, the last year for which data is available for the economic modeling of these credits is 2014.* For more detail on the modeling methodology, refer to the Appendix on page 83.

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<sup>1</sup> No changes from original version: a tax credit of \$1,021,364 equivalent to the “overstatement” reported in the auditors’ report was issued in May 2017 but was not included in the supporting documentation provided to the auditors.

**(1) Film & Digital Media Production Tax Credit**

An eligible production company that produces a qualified production and incurs qualified production expenses or costs in excess of \$100,000 may apply for a tax credit equal to 10% to 30% of production expenses and costs incurred in Connecticut. Expenses claimed for the film and digital media production tax credit may not be used in claiming either the digital animation tax credit or the infrastructure tax credit (see below). This tax credit intends to attract more film, television, and digital media productions to the state than if the credit did not exist.

As of July 1, 2013, motion pictures are no longer a “qualified production” with the exception of any motion picture for which twenty-five per cent or more of the principal photography shooting days are at a facility that receives not less than twenty-five million dollars in private investment and opens for business on or after July 1, 2013.

**(a) Economic and Fiscal Impact Results for the Film & Digital Media Production Tax Credit**

The annual average total claims over the 2006-2014 period was \$55,271,292 suggesting that the average ‘qualifying’ value of film, television and digital media production in the state was \$184,237,641 per year, or \$1,658,138,768 in total for the period for such productions applying to DECD for the 30% credit. These productions’ payroll and payments to Connecticut vendors are shown in the table below, as well as the microsimulation results which show the total direct, indirect and induced economic impact of the film production tax credit. *The original 2017 report understated the total credits claimed by \$31,112,198; these credits have now been included in the following analysis.*

<b>Table 7: Economic Impact of the Film &amp; Digital Media Production Tax Credit from 2006-2014</b>			
	<b>Annual Average</b>	<b>Cumulative Total</b>	<b>Revenue earned per \$1 of credit</b>
Total New Employment Change	1,236		
Total Claims	\$55,271,292	\$442,170,338	
Total Payroll	\$121,895,460	\$1,097,059,138	
Total CT Vendor Spend	\$38,481,032	\$346,329,289	
Payroll + Spend	\$160,376,492	\$1,443,388,427	
GDP	\$175,888,302	\$1,582,994,716	
State Revenues	-\$41,455,043	-\$373,095,391	-\$0.84
State Expenditures	\$3,568,273	\$32,114,458	
Net State Revenue	-\$45,023,317	-\$405,209,849	

Source: DECD

Interpreting the results in the table above suggests that while there are gains in jobs, the additional revenues gained by the state do not compensate for the loss in state tax revenue due to the credits.

**(b) Recommendation**

Because we have omitted certain spending as described in the appendix (page 94), the reported results are conservative. Other benefits to the state are not captured in the results. For example, the three film tax credit programs stimulated investment in educational programs at both the state’s community and private colleges to build the workforce required to support the film, television and digital animation industries. In particular the production tax credit has encouraged the relocation of major networks, digital media companies and production operations. The state's strengthened production infrastructure supported and continues to support a range of projects, further encouraging companies to carry out long-term productions in Connecticut.

The combination of the three film tax credit programs and the related investment in building a workforce lead us to recommend maintaining this program. As these programs are novel, we further recommend that we continue to collect job creation and capital expenditure data to better understand the impact of these programs on the state’s economy and their efficiency in building this important industry.

**(2) Film Production Infrastructure Tax Credit**

This tax credit is available to a taxpayer that invests in a state-certified entertainment infrastructure project. The credit intends to help establish a film and digital animation industry presence in Connecticut by incentivizing capital investment in plant and equipment for pre- and post-production facilities and investment in educational programs that produce the workforce needed by the film and digital animation industry.

**(a) History of the Film Production Infrastructure Tax Credit**

The table below shows the amounts issued to firms for the film production infrastructure tax credit.

<b>Table 8: Film Production Infrastructure Tax Credit Expenditure and Credits Issued through FY 17</b>				
<b>Applicant</b>	<b>NAICS</b>	<b>CT Expenditures</b>	<b>Date Issued</b>	<b>Amount of Tax Credit</b>
Blue Sky Studios	512	\$17,940,989	6/8/2009	\$3,588,198
World Wrestling Entertainment	711	\$25,313,556	2/1/2010	\$5,062,711
Ely	531	\$6,723,934	2/10/2010	\$1,344,787
Brand Gallery	541	\$193,604	2/19/2010	\$29,041
CFC Stillwater	531	\$11,236,612	6/17/2010	\$2,247,322
ESPN	515	\$33,426,976	9/22/2011	\$6,685,395
Blue Sky Studios	512	\$7,803,086	3/6/2012	\$1,570,618
Brand Gallery	541	\$3,298,184	5/2/2012	\$659,637
Brand Gallery	541	\$385,634	3/28/2013	\$77,127
ESPN, Inc. DC-2 Phase 1	515	\$72,153,302	9/12/2013	\$14,430,660
CFC Exit 9, LLC	531	\$14,287,426	12/27/2013	\$2,857,485
NBC Universal Media, LLC	515	\$117,727,906	12/27/2013	\$23,545,581
World Wrestling Entertainment, Inc.	711	\$5,043,689	2/7/2014	\$1,008,738
World Wrestling Entertainment, Inc.	711	\$12,865,135	2/7/2014	\$2,573,027
Back9Network, Inc.	515	\$6,127,395	5/5/2014	\$1,225,479
ESPN, Inc. DC-2 Phase 2	515	\$60,693,387	10/7/2014	\$12,138,677
Blue Sky Studios	512	\$11,194,497	12/22/2014	\$2,238,899
CFC Stillwater, LLC	531	\$3,973,709	2/17/2015	\$794,742
CT Public Broadcasting, Inc.	515	\$4,708,965	3/17/2015	\$941,793
ESPN, Inc. DC-2 Phase 3	515	\$69,690,312	12/18/2015	\$13,938,062
<i>NBC Universal Media, LLC</i>	<i>515</i>	<i>\$32,822,618</i>	<i>2/11/2016</i>	<i>\$6,564,524</i>
<i>ESPN, Inc.</i>	<i>515</i>	<i>\$4,004,808</i>	<i>5/4/2016</i>	<i>\$800,962</i>
		<b>\$521,615,724</b>		<b>\$104,323,465</b>

Source: DECD

The total amount of credits issued through FY 2017 exceed \$104 million. Construction and related spending began in 2007 and totaled over \$521 million through FY 2017.

**(b) Economic and Fiscal Impact Results for the Film Production Infrastructure Tax Credit**

The table below shows the microsimulation results for the film production infrastructure tax credit. *Due to a lag in the industry-level claims data that is supplied to DECD by DRS, the last year for which data is available for the economic modeling of these credits is 2014. The Revised 2017 report includes the data from the companies that were omitted in the original 2017 report.*

Interpreting the results suggests that while there are gains in jobs, the additional revenues gained by the state do not compensate for the loss in state tax revenue due to the credits. The jobs created as a results of the activity incented by this tax credit are in the construction sector and are not permanent full-time positions. However, infrastructure investments lead to permanent job creation by the company earning the tax credits, which can benefit the state in the longer term, but are not captured by this analysis.

<b>Table 9: Economic Impact of the Film Production Infrastructure Tax Credit from 2007-2014<sup>2</sup></b>			
	<b>Annual Average</b>	<b>Cumulative Total</b>	<b>Revenue earned per \$1 of credit</b>
Total New Employment Change	514		
Total Claims	\$11,185,229	\$78,296,600	
GDP	\$45,195,087	\$361,560,699	
State Revenues	-\$7,034,661	-\$56,277,286	-\$0.72
State Expenditures	\$1,138,833	\$9,110,666	
Net State Revenue	-\$8,173,494	-\$65,387,952	

Source: DECD

<sup>2</sup> Claimed tax credits of \$18,294,098 and company expenditures of \$11,063,720 that were missing from the original report are added and included in the impact analysis. Formula errors that led to inaccurate results have been corrected.

The table above shows that on average each year the infrastructure tax credit claim was \$11.2 million while net state revenue averaged declined suggesting that the additional revenues gained by the state do not compensate for the loss in state tax revenue due to the credits. Because credit applicants provided no information on employment or procurement in the new facilities, for this analysis we model no net new permanent employment associated with the infrastructure projects. This is clearly a conservative assumption. The economic and fiscal impacts of construction and related activities dissipate quickly upon completion. Therefore, the analysis presented here represents a partial picture of the benefit of the infrastructure projects undertaken by the recipient firms. Because we have no knowledge of the totality of net new economic activity the infrastructure projects facilitate, we cannot determine the entire net benefit of the infrastructure tax credit program; here we analyze it in isolation.

**(c) Recommendation**

Given that the program is relatively new and we do not know what other benefits (such as net new jobs and procurement) accrue to the state, we recommend that this program continue and that we collect related job creation and operational data that the infrastructure tax credit program facilitates to better assess future credit usage.

**(3) Digital Animation Tax Credit**

A Digital Animation Tax Credit is available to state-certified digital animation production companies that engage in digital animation production activities on an ongoing basis. The credit intends to help establish a digital animation industry presence in Connecticut by incentivizing increased employment and capital investment in plant and equipment for digital animation facilities.

**(a) Methodology and Modeling Strategy for the Digital Animation Tax Credit**

Blue Sky Studios, the sole credit recipient, would not have relocated to the state but for the digital animation tax credit and the package of other incentives presented to the company.



The digital animation tax credits issued averaged \$13.51 million per year from 2008-2015. Blue Sky spent \$11.12 million for leasehold improvements to an existing building, \$0.7 million in architectural and engineering fees, and \$6.1 million for furniture, fixtures and equipment (FF&E), all in 2008. The company had an annual average of 482 jobs through 2016.

The table below shows the microsimulation results for the digital animation tax credit offset with the private benefit of net new jobs, construction and investment in plant and equipment. Data from DRS shows that of the total \$123.1 million in credits issued so far, \$98.2 million has been claimed. The industry that has claimed most of the digital animation tax credits so far is the insurance industry, which has claimed \$57 million credits through 2014 (claims data by industry for subsequent years were not available at the time of the study). The results for 2015 and 2016 below are preliminary as the claim data from DRS is partial and is subject to revision.

<b>Table 10: Economic Impact of the Digital Animation Tax Credit Program from 2008-2016<sup>3</sup></b>			
	<b>Annual Average</b>	<b>Cumulative Total</b>	<b>Revenue earned per \$1 of credit issued</b>
Total New Employment Change	880		
Total Credits Issued	\$15,388,445	\$123,107,562	
Total Claims*	\$12,274,356	\$98,194,846	
Direct Employment	482		
Payroll	\$55,057,251	\$385,400,760	
CT Expenditures (through 2014)	\$34,764,203	\$278,113,620	
GDP	\$183,858,916	\$1,654,730,248	
State Revenues	-\$5,732,771	-\$51,594,941	-\$0.42
State Expenditures	\$2,833,443	\$25,500,987	
Net State Revenue	-\$8,566,214	-\$77,095,928	

\*2015 and 2016 claims data is preliminary

Source: DECD

<sup>3</sup> Formula errors that led to inaccurate results have been corrected.

The table above shows that the claims for the digital animation tax credit averaged \$12.3 million from 2008 through 2016 (2015 and 2016 data is preliminary). While the project has created a significant number of high-paying jobs the induced effects from these incomes are tamped down because of the approximately 70% of its employees who live out-of-state (although they pay income tax in Connecticut, the model also assesses indirect spend, which, if out of state, doesn't benefit state revenues). This result may be conservative, given the location of the facility (right on the CT/NY border).

**(b) Recommendation**

Based on the foregoing analysis of the costs and benefits of the totality of economic activity associated with Blue Sky's relocation to Connecticut, we recommend that the digital animation tax credit be maintained. Blue Sky Studios has nearly tripled their headcount to over 500 jobs since their arrival in 2008. The company also recently extended their lease ten more years through 2028.

As this analysis will be repeated annually, we can track the costs and benefits of the program as the industry responds to the film and digital animation incentives offered in Connecticut.

**4. Insurance Reinvestment Fund Tax Credits**

The Insurance Reinvestment Fund (IRF) tax credit was designed to stimulate investments in Connecticut's insurance businesses and businesses providing services to insurance companies to help them grow. The original program was modified by the legislature in the 2010 legislative session and now the two programs (the original version and the modified version) are known as the First and Second Insurance Reinvestment Fund tax credit programs. This section details the common aspects of the two programs, and the following sections evaluates the performance of the two tax credit programs separately.

Tax credits are available to taxpayers making investments in an Insurance Reinvestment Fund that then reinvests in Connecticut companies engaged in an insurance business or companies providing services to insurance companies. Investors could make debt or equity investments and receive a dollar for dollar tax credit equivalent to their investment prorated over ten years such

that 10% of the credit could be claimed in years four through seven and 20% of the credit could be claimed in years eight through ten.

To obtain the credit, the insurance business in which the investment was made had to annually submit a request for eligibility with DECD to determine whether the requirements of the program were met. We do know the number of jobs created as a result of the investment in each company by comparing the number of jobs at application with the number of jobs reported during the annual eligibility process. The difference is assumed to be a result of the investment.

**a. First Insurance Reinvestment Fund Tax Credit**

This tax credit could be applied against the taxes imposed under Chapters 207 (insurance, hospital and medical services corp. tax), 208 (corporate tax), or 229 (income tax) or CGS §38a-743 (insurance premiums tax) and also could be transferred to another tax payer. No two taxpayers could be eligible for a tax credit with respect to the same investment, employee or facility.

The table below shows the Insurance Reinvestment Fund tax credits claimed (the state's tax cost) by industry designated by NAICS code and year for recent years (2014 is the most recent income year for which complete DRS claim data is available). Because DRS provides actual claims by industry and year representing claims by the industry awarded the credit and claims by industries purchasing the credit, we can correctly situate in time and industry the economic and fiscal impacts of this credit program.

From 1996 to 2015, a total of \$319.41 million of investments were made by eligible fund managers (this data is available from fund managers' reports to DECD). The First Insurance Reinvestment Program was limited to investments made through 2015. A total of 626 jobs have been created due to these investments from 1999 onwards; this does not include any jobs that were lost in the case of company closures.

<b>Table 11: Insurance Reinvestment Fund Tax Credit Claims by Industry for Income Years 1999-2014</b>		
<b>Industry</b>	<b>NAICS Code</b>	<b>Tax Credit Claims</b>
Individual Investors	NA	\$12,038,824
Apparel Manufacturing	315	\$299,991
Plastics and Rubber Products Manufacturing	326	\$59,081
Machinery Manufacturing	333	\$134
Computer and Electronic Product Manufacturing	334	\$1,400,134
Miscellaneous Manufacturing	339	\$134
Merchant Wholesalers, Durable Goods	423	\$637
Couriers and Messengers	492	\$3,215,940
Telecommunications	517	\$7,427,558
Monetary Authorities-Central Bank	521	\$4,696
Credit Intermediation and Related Activities	522	\$4,696
Securities, Commodity Contracts and Other Financial Investments and Related Activities	523	\$36,797
Insurance carriers and Related Activities	524	\$71,144,558
Funds, Trusts and Other Financial Vehicles	525	\$32,101
Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)	533	\$32,101
Management of Companies and Enterprises	551	\$2,542,726
Ambulatory Health Care Services	621	\$1,000,000
	<b>Totals</b>	<b>\$99,240,109</b>

Source:DRS

**i. Net Economic Impact of the First Insurance Reinvestment Fund Tax Credit**

The following table shows the total economic impact of the First IRF tax credit. For modeling purposes we assume that the investments occurring under the Insurance Reinvestment Fund tax credit program were entirely due to the program and would not have occurred otherwise. The total results include the direct, indirect and induced effects of the IRF investments and job creation.

Total net state revenues under the First IRF program has been declining in recent years as investments and participants in the program decline. For the total economic impact estimates by year, see page 121 in the Appendix. As it stands the program does not generate enough revenue to offset the tax credits claimed.

<b>Table 12: Economic Impact of the First Insurance Reinvestment Fund Tax Credit for Income Years 1999-2014<sup>4</sup></b>			
	<b>Annual Average</b>	<b>Cumulative Total</b>	<b>Revenue earned per \$1 of credit</b>
Total New Employment Change (includes both direct and indirect jobs created*)	822		
Total Claims	\$6,616,007	\$99,240,109	
GDP	\$92,341,100	\$1,385,116,498	
State Revenues	-\$391,716	-\$5,875,737	-\$0.06
State Expenditures	\$2,487,001	\$37,305,015	
Net State Revenue	-\$2,878,717	-\$43,180,752	

Source: DECD

\* 626 new jobs were created by the eligible Insurance Businesses that received the eligible investments.

**ii. In Conclusion:**

No new investments are eligible under the First Insurance Reinvestment Program; final year of eligibility was 2015. For that reason, DECD will continue to review any requests for continued eligibility for compliance of the various stakeholders of the program (tax-payers, the fund and the insurance companies) with the program requirements under the statute.

**b. Second Insurance Reinvestment Fund Tax Credit**

In 2010, the legislature amended the Insurance Reinvestment Fund tax credit to provide a new tax credit which can only be applied against the taxes imposed under Chapters 207 (insurance, hospital and medical services corp. tax), and CGS §38a-743 (insurance premiums tax). This tax credit also has different investment criteria than the first Insurance Reinvestment Fund tax credit.

Fund investments under the Second IRF (shown below) are now spread across a variety of industries, as are the new jobs created as a result of the tax credit. Claims for the Second IRF tax credit are shown in the table below. Only the insurance industry has claimed these tax credits as the Second IFR limits the type of taxes imposed that the

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<sup>4</sup> Formula errors that led to inaccurate results have been corrected.

credits can be applied against. For a year-by-year depiction of the data in these tables, see page 124 in the Appendix.

<b>Table 13: Second Insurance Reinvestment Fund Tax Credit Fund Managers' Investments and Job Creation</b>	
<b>Investments by Industry</b>	<b>Total 2011-2016</b>
Construction	\$8,850,000
Food Manufacturing	\$500,000
Beverage and Tobacco Product Manufacturing	\$2,310,000
Paper Manufacturing	\$4,288,696
Petroleum and Coal Products Manufacturing	\$2,400,000
Chemical Manufacturing	\$9,000,000
Fabricated Metal Product Manufacturing	\$25,465,000
Computer and Electronic Product Manufacturing	\$13,250,000
Electrical Equipment and Appliance Manufacturing	\$10,200,000
Other Transportation Equipment Manufacturing	\$11,125,000
Furniture and Related Product Manufacturing	\$3,500,000
Miscellaneous Manufacturing	\$3,506,279
Merchant Wholesalers, Durable Goods	\$3,500,000
Merchant Wholesalers, Nondurable Goods	\$600,000
Publishing Industries Except Internet	\$9,389,280
Telecommunications	\$4,025,000
Data Processing, Hosting and Related Services	\$271,141
Other Information Services	\$1,790,000
Securities, Commodity Contracts and Other Financial Investments and Related Activities	\$345,000
Professional and Technical Services	\$34,875,563
Administrative and Support Services	\$514,285
Waste Management and Remediation Services	\$16,276,830
Ambulatory Health Care Services	\$339,999
Social Assistance	\$150,000
Performing Arts, Spectator Sports	\$1,500,000
Repair and Maintenance Services	\$2,000,000
Personal Services	\$9,893,000
<b>Total Investments</b>	<b>\$179,865,073</b>
<b>Job Creation (across all industries)</b>	<b>2,721</b>

Source: DECD

<b>Table 14: Second Insurance Reinvestment Fund Tax Credit Claims</b>	
<b>Tax Credits Claimed by Industry</b>	<b>Totals 2011-2016</b>
Insurance Carriers and Related Activities	\$26,964,290

Source: DRS

**i. Net Economic Impact of the Second Insurance Reinvestment Fund Tax Credit**

The table below reports the results of the economic simulation. These numbers represent the changes (net new economic activity) from the baseline forecast of the Connecticut economy induced by the Second Insurance Reinvestment Tax Credit. The total impact includes direct, indirect and induced economic activity. Net state revenue that includes the tax cost is positive throughout the study period. For a more detailed summary of the results, see page 126 in the Appendix.

<b>Table 15: Economic Impact of the Second Insurance Reinvestment Fund Tax Credit from 2011-2016</b>			
	<b>Annual Average</b>	<b>Cumulative Total</b>	<b>Revenue earned per \$1 of credit</b>
Total New Employment Change	4,133		
Total Claims*	\$4,494,048	\$26,964,290	
GDP	\$588,580,497	\$3,531,482,982	
State Revenues	\$23,025,442	\$138,152,655	\$5.12
State Expenditures	\$10,596,748	\$63,580,488	
Net State Revenue	\$12,428,694	\$74,572,166	

Source: DECD

\*2015 and 2016 claims are preliminary

**ii. Recommendation:**

We recommend that the Insurance Reinvestment tax credit continue as revised by the legislature in 2010. The new credit program requires closer monitoring and penalties for not achieving a positive return to the state, and the program has generated strong results in terms of jobs and state net revenue created.

**5. Manufacturing Facility Tax Credit for Facilities Located in an Enterprise Zone (or Other Area Having Enterprise Zone Benefits)**

A tax credit equal to 50% of the tax imposed under Chapter 208 of the Connecticut General Statutes allocable to a manufacturing or service industry facility located within a designated Enterprise Zone (or other area having Enterprise Zone benefits) is available to a firm that meets certain employment criteria. If it does not meet such criteria, the facility may qualify for the 25% Manufacturing Facility Credit. This tax credit aims to reward firms located in and those that would locate to an Enterprise Zone or other area described below having such benefits.

Firms located in such areas need not expand their employment or plant and equipment to receive a tax credit under this program. The incentive provided may induce firms to locate to an Enterprise Zone or other area having such benefits and all qualifying firms receive a reduction in their Connecticut tax liability for nine years.

To qualify for the 50% tax credit, the corporation must, during the last quarter of its income year, either:

- Employ 150 or more full-time employees who at the time of employment were:
  - Residents of the Enterprise Zone (or other area having Enterprise Zone benefits); or were
  - Residents of the municipality eligible for training under the federal Workforce Investment Act (WIA); or
- Have 30% or more of its full-time employment positions directly attributable to the manufacturing facility held by employees who at the time of employment were:
  - Residents of the Enterprise Zone (or other area having Enterprise Zone level benefits); or were
  - Residents of the municipality eligible for training under the federal WIA.

The table below shows the claims (cost to the state) of the 25% and 50% Manufacturing Facilities tax credit by firms aggregated by industry from 1995-2014.



<b>Table 16: Manufacturing Facilities Tax Credit Claims by Industry</b>	
<b>Industry</b>	<b>Industry Totals 1995-2014</b>
Specialty Trade Contractors	\$16,263
Food Manufacturing	\$197,255
Petroleum and Coal Products Manufacturing	\$17,825
Chemical Manufacturing	\$644,280
Plastics and Rubber Products Manufacturing	\$166,467
Nonmetallic Mineral Product Manufacturing	\$296,892
Primary Metal Manufacturing	\$168,710
Fabricated Metal Product Manufacturing	\$736,407
Machinery Manufacturing	\$3,144,514
Computer and Electronic Product Manufacturing	\$402,514
Electrical Equipment, Appliance and Component Manufacturing	\$438,715
Transportation Equipment Manufacturing	\$6,150,480
Furniture and Related Product Manufacturing	\$371,778
Miscellaneous Manufacturing	\$570,545
Merchant Wholesalers, Durable Goods	\$3,315,036
Merchant Wholesalers, Nondurable Goods	\$873,549
Miscellaneous Store Retailers	\$846,256
Publishing Industries (except Internet)	\$142,549
Motion Picture and Sound Recording Industries	\$134,797
Data Processing, Hosting and Related Services	\$44,088
Credit Intermediation and Related Activities	\$241,420
Securities, Commodity Contracts and Other Financial Investments and Related Activities	\$175,789
Insurance Carriers and Related Activities	\$63,043
Funds, Trusts and Other Financial Vehicles	\$116,317
Real Estate	\$77,194
Rental and Leasing Services	\$313,951
Professional, Scientific and Technical Services	\$454,973
Management of Companies and Enterprises	\$555,963
Administrative and Support Services	\$6,010
Waste Management and Remediation Services	\$18,570
Ambulatory Health Care Services	\$263
Accommodation	\$62
Personal and Laundry Services	\$6,010
<b>Total for All Industries</b>	<b>\$24,547,660</b>

Source: DRS

**a. Results for the Manufacturing Facilities Tax Credit**

The table below shows details of changes in employment, state GDP, state revenue and state expenditure with respect to the baseline or status quo forecast of the Connecticut economy. This is the total impact – the direct, indirect, and induced economic activity generated by the tax credit – based on the information we have for modeling purposes. We do not know the companies’ employment levels or other relevant data, and there is no activity required other than to locate in an Enterprise Zone. For more detailed results, see page 131 in the Appendix.

	<b>Annual Average</b>	<b>Cumulative Total</b>	<b>Revenue earned per \$1 of credit</b>
Total New Employment	13		
Total Claims	\$1,291,982	\$24,547,660	
GDP	\$793,362	\$15,073,874	
State Revenues	-\$1,201,443	-\$22,827,420	-\$0.93
State Expenditures	\$37,787	\$717,959	
Net State Revenue	-\$1,239,230	-\$23,545,379	

*Source: DECD*

**b. Recommendation:**

We recommend eliminating the Manufacturing Facilities tax credit program because, as configured, it does not generate sufficient employment or net new tax revenue to justify its continuation. We believe the job thresholds and qualifying criteria are too high for the 50% credit and given the zero job creation threshold interpretation for the 25% credit, the net benefit is too small to justify continuing the program.

In addition, corporate business tax credits are provided for qualifying service facilities located outside of an Enterprise Zone in a Targeted Investment Community on a sliding scale based on the number of full-time jobs created. And, the state offers other incentives to the manufacturing sector, such as Manufacturing Assistance Act (MAA) loans.

## 6. Property Tax Abatements for Investment in Enterprise Zones

There are currently 17 Targeted Investment Communities with Enterprise Zones in the following municipalities:

Bridgeport	Meriden	Norwich
Bristol	Middletown	Southington
East Hartford	New Britain	Stamford
Groton	New Haven	Waterbury
Hartford	New London	Windham
Hamden	Norwalk	

Companies that locate in an Enterprise Zone have certain benefits. These are:

- 1) A five year, 80% abatement of local property taxes on qualifying real and personal property subject to the property being new to the grand list of the municipality as a direct result of a business expansion or renovation project or in the case of an existing building, having met the vacancy requirement.
- 2) A ten-year, 25% credit on that portion of the state's corporation business tax that is directly attributable to a business expansion or renovation project as determined by DRS. We describe this program above under the Manufacturing Facilities Tax Credit program.
- 3) Newly formed corporations located in a zone and meeting certain conditions qualify for a 100% corporate tax credit for their first three taxable years and a 50% tax credit for the next seven taxable years. We describe this program above under the Enterprise Zone Tax Credit for Qualifying Corporations.
- 4) A business engaged in biotechnology, pharmaceutical, or photonics research, development or production with not more than 300 employees, is eligible for Enterprise Zone benefits if it is located in a municipality with (1) a major research university with programs in biotechnology, pharmaceuticals, or photonics and (2) an Enterprise Zone. Benefits are subject to the same conditions as those for businesses located in an Enterprise Zone.

Firms that locate or expand in certain census tracts in certain towns designated as enterprise zones described above under benefits (1) and (4) may apply for a property tax abatement equal to

a fraction of the increase in the Grand List (the value of the new plant and equipment) as a result of their investment. The firm’s property tax abatement is equal to 80% of the assessed value (which is 70% of market value) of new plant and equipment, multiplied by the appropriate mill rate. The municipality absorbs 40% of the abatement and the state reimburses the municipality for 40% of the abatement.

For a full list of certifications by town please visit:

[http://www.ct.gov/ecd/lib/ecd/Connecticut Enterprise Zone final certs 20021001 to 20171031 locked.xls](http://www.ct.gov/ecd/lib/ecd/Connecticut_Enterprise_Zone_final_certs_20021001_to_20171031_locked.xls)

The table below shows the dollar amounts claimed for newly certified eligible investments by year for recent years. Each newly certified company is allowed to claim the abatement for four additional years following the initial claim. The largest industry sectors claiming this abatement in recent years are the transportation equipment manufacturing industry and the securities and financial instruments industry. We transcribed claim amounts for each company from OPM paper records and matched the DECD-assigned certification number with DECD records to extract the NAICS code from DECD records for each company. We aggregated claims by NAICS code. OPM adjustments to the grand list records can occur because of late or erroneous submissions by municipalities; however, these are not included in this economic analysis.

<b>Table 18: Enterprise Zone Claims and Investments</b>					
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Average</b>
Abatements for Newly Certified Investments	\$644,573	\$961,130	\$462,409	\$1,248,258	\$829,092
Number of New Certifications	37	44	45	44	43
Associated Investment Value Based on Assessment	\$44,104,521	\$44,635,539	\$30,032,098	\$54,798,509	\$43,392,667

Source: OPM

We analyze the full economic impact of the enterprise zone abatements utilizing the REMI TaxPI model. We assume the investment would not have occurred in the region were not for the EZ program. The full economic impact, which includes the direct, indirect and induced impacts of the full investments associated with the EZ abatement program, are shown below.

The results show that the EZ abatement program has a positive impact on the state, with over three dollars earned for each dollar the state contributes to the program for investments beginning in 2013. This is a partial analysis as it does not include abatements made for projects beginning before 2013.

<b>Table 19: Economic Impact of Enterprise Zone Abatements from 2013-2016</b>			
	<b>Annual Average</b>	<b>Cumulative Total</b>	<b>Revenue earned per \$1 of state contribution</b>
Claims for New Investments	\$829,092	\$29,531,550	
Total Claims (assuming 5 years of equal claims)	\$1,908,690	\$7,634,759	
State Contribution	\$477,172	\$1,908,690	
Changes in:			
Total Employment	310		
Total Private Non-Farm Employment	311		
GDP	\$29,531,550	\$118,126,200	
State Revenues	\$1,775,450	\$7,101,800	\$3.72
State Expenditures	\$260,700	\$1,042,800	
Net State Revenue	\$1,514,750	\$6,059,000	

Source: DECD

It is important to note that the purpose of the enterprise zone program is to yield benefits to the designated community, and the return to the state is of secondary concern. The goal is that by locating in an area in which it normally would not, the company fuels local economic development by employing local residents and stimulating local businesses. The community's tax base is also strengthened. So while the enterprise zone program may have a significant macroeconomic impact to the state economy as stated above, it should be remembered that the primary benefit of this program is intended to be for the local community.

**a. Recommendation**

Because of the significant economic impact when the full investment is taken into account, we recommend continuing the enterprise zone property tax abatement program with changes. We recommend modifying the program so that the abatement percentage declines over the five years (instead of the constant 80% that currently exists), but doing so in a way that the total value of the abatement to the recipient remains equivalent to

what they would currently receive under the program. We further believe that more milestones and requirements should be added to the program to ensure that the benefit provided to the user of the credit is more than offset by the increased revenue to the state. Since state funding has been eliminated for this program in the current budget, it makes sense to reassess the program now.

## **B. Non-DECD Administered Business Assistance Tax Credits**

In this section, we present publically available information on tax credit programs that target economic development but are not administered by DECD. We give details on the use of the credit, such as the number of claims and the amounts claimed by industry, which will give a portrait of the popularity of the credit and its use over time. The analysis provides estimate activity incited by the credit, which is a measure of the direct economic activity associated with the credit.

For each of these credits we present the number of claims and total value of claims by year, from 2005 to 2015. We present the main industries (by claim size) that utilize these by evaluating total claims by industry from 2005 to 2014 (claim data by industry for 2015 was not available at the time of this analysis).

We are unable to do an extended analysis of these credits because we do not have the necessary information. Companies utilizing these credits are not required to report on the economic activity that can be attributed to the credit, such as new jobs created or expenditures undertaken. Therefore we can only provide an estimate of the particular economic activity for which the credit was claimed.

### **1. Angel Investor Tax Credit**

The Angel Investor tax credit is administered by Connecticut Innovations, Inc. (CI). It provides a credit for a cash investment of not less than \$100,000 (and not less than \$25,000 effective October 27, 2011) in the qualified securities of a Connecticut business by an angel investor. The credit is applicable to taxable years beginning on or after January 1, 2010 and is applicable to the investors' personal income tax. Qualified Connecticut businesses must have been in business for less than seven years and have less than 25 paid employees, 75% of whom must be Connecticut residents. Gross revenue must be less than \$1 million and management and their families must have majority ownership of the venture.

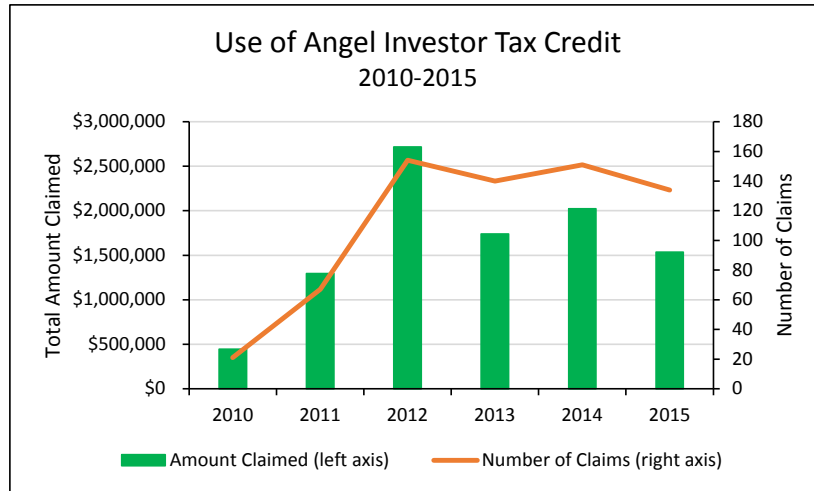
An *angel investor* is an accredited investor, as defined by the Securities and Exchange Commission, or network of accredited investors who review new or proposed businesses for potential investment who may seek active involvement, such as consulting and mentoring, in a Connecticut business. The angel investor may apply to CI to reserve a tax credit equal to 25 percent of the cash investment. The angel investor must choose from a list of Connecticut businesses that CI has determined are qualified to receive cash investments eligible for the angel investor tax credit. The angel investor must not have a majority ownership of the business it seeks to invest in.

The most current statistics for this program are shown below (2015 is the most recent tax year we have data for), followed by a summary of the investments by industry.

<b>Table 20: Angel Investor Tax Credit Program (Inception to December 31, 2017)</b>	
Number of Investments	669
Investments in Qualified Connecticut Businesses	\$60,765,273
Tax Credits Claimed (through 2015, from DRS)	\$9,750,773

Source: Connecticut Innovations

Angel Investor tax credits against the personal income tax are shown below. A total of 134 claims were filed in 2015 for this tax credit, for a total of over \$1.5 million.



Based on the 25% tax credit calculation, the tax credits claimed through 2015 are associated with over \$39 million of investments by angel investors in qualified Connecticut businesses. The businesses by broad industry category and the amounts invested in them are shown below.

**Table 21: Angel Investments by Company Category and Year**

Company by Category	2010	2011	2012	2013	2014	2015	2016	2017
Bioscience	\$1,145,005	\$1,955,000	\$6,143,058	\$3,295,271	\$2,334,999	\$2,568,135	\$3,133,501	\$1,982,000
Clean Technology	\$450,000	\$0	\$1,199,000	\$2,365,773	\$685,000	\$1,060,000	\$1,270,000	\$614,500
Information Technology	\$300,000	\$5,278,083	\$7,842,896	\$2,618,734	\$4,689,932	\$2,401,499	\$2,489,888	\$3,010,000
Advanced Materials	\$0	\$0	\$0	\$0	\$525,000	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,408,000
<b>Total</b>	<b>\$1,895,005</b>	<b>\$7,233,083</b>	<b>\$15,184,954</b>	<b>\$8,279,777</b>	<b>\$8,234,930</b>	<b>\$6,029,634</b>	<b>\$6,893,390</b>	<b>\$7,014,500</b>

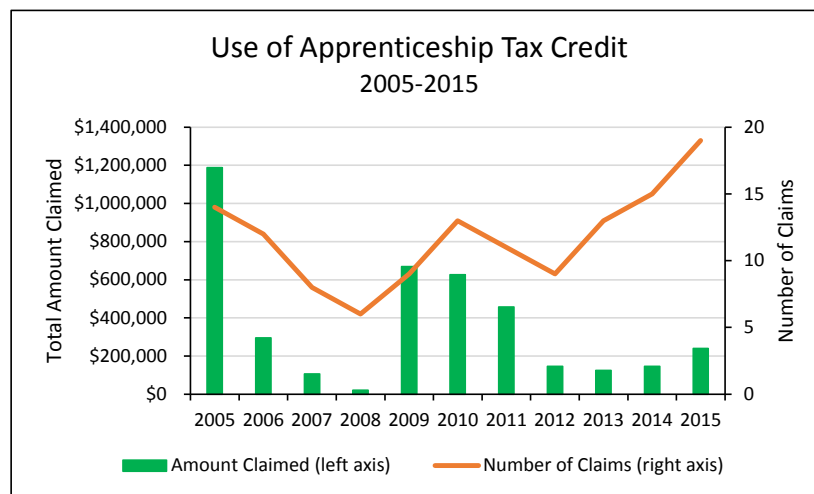
Source: Connecticut Innovations

Note: Numbers may not total due to rounding.

The Angel Investor tax credit was created to encourage investment in certain targeted industries and almost all qualified companies have so far received funds.

## 2. Apprenticeship in Manufacturing, Plastics and Construction Tax Credit

A tax credit may be applied by corporations that employ apprentices who receive training in the manufacturing, plastics, plastics-related, or construction trades. Wages of pre-apprentices are not eligible for this tax credit. The maximum credit is \$4,800 per apprentice available to firms in the plastics and manufacturing industries and \$4,000 per apprentice available to firms in construction industries. The credit was modified during the 2013 legislative session by increasing the credit from \$4 to \$6 per hour and raising the cap from \$4,800 or 50% of the actual apprentice wages, whichever is less, to \$7,500 or 50% of such wages, whichever is less, effective January 1, 2015. The recent claims history of this credit is shown below.





We cannot directly estimate the actual number of apprentices that were eligible over this period because it is a multi-year program; *i.e.* a company can file for the tax credit for the same apprentice for more than one year. In 2015 there were 19 claims filed for this tax credit totaling almost \$240,000, suggesting a minimum of 50 apprentices that companies were eligible to file claims for in 2015 based on \$4,800 per apprentice. We can see from the average claim per year that it is a popular program, especially in the manufacturing industry in the state.

<b>Table 22: Apprenticeship in Manufacturing, Plastics and Construction Tax Credit Claims</b>		
<b>Claiming Industry by NAICS Code</b>	<b>2005 to 2014 Sum of Claims</b>	<b>Average Annual Claim</b>
Transportation Equipment Manufacturing	\$3,057,775	\$305,777
Fabricated Metal Product Manufacturing	\$390,257	\$39,026
Construction	\$107,515	\$10,751

Source: DRS

Note: Numbers may not total due to rounding.

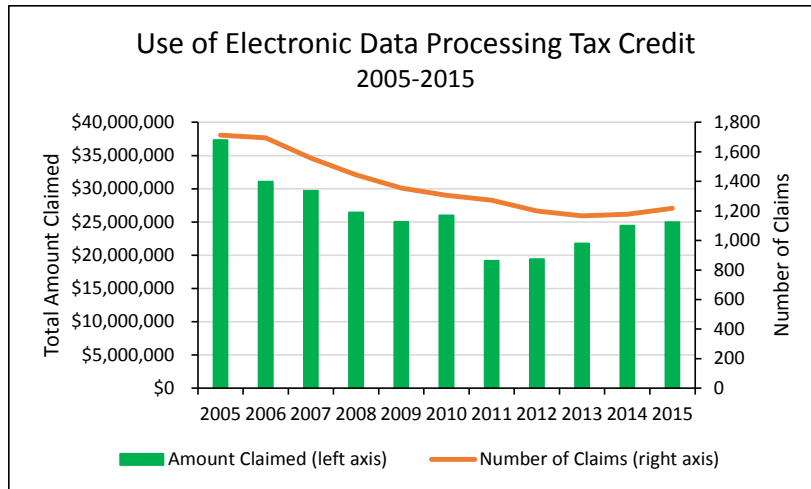
### 3. Electronic Data Processing Equipment Property Tax Credit

Firms can claim a credit equal to 100% of the property tax they paid on electronic data processing equipment. The credit effectively reduces the cost of electronic data processing equipment. As this tax credit is based on the full property tax payment and not on incremental changes, we do not know if the property taxes are paid on new or existing equipment.

Using the state's average equalized mill rate (EMR)<sup>5</sup> for each year, we can approximate the value of the electronic data processing equipment that property taxes were paid for. In 2014, this estimate increased over the previous year's by \$103 million, which suggests that some equipment for which claims were made may have been net new for the year. A total of 1,217 claims were filed in 2015 for this tax credit, for a total of almost \$25 million.

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<sup>5</sup> *Municipal Fiscal Indicators, December 2017*, CT Office of Policy and Management.



Almost all industries in the state file for this tax credit; an industry breakdown of the largest claims through 2014 is shown below.

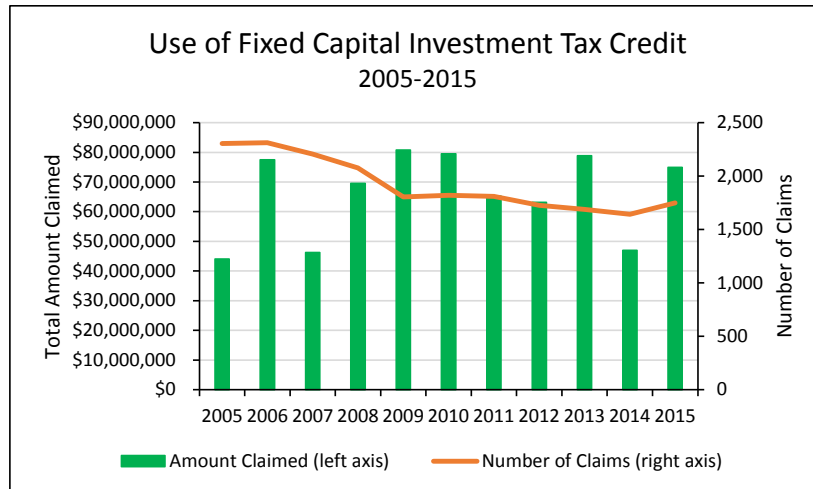
<b>Table 23: Electronic Data Processing Equipment Property Tax Credit Claims</b>		
<b>Claiming Industry by NAICS Code</b>	<b>2005 to 2014 Sum of Claims</b>	<b>Average Annual Claim</b>
Insurance Carriers and Related Activities	\$113,418,614	\$11,341,861
Ambulatory Health Care Services	\$19,378,219	\$1,937,822
Broadcasting, except Internet: Telecommunications	\$18,504,995	\$1,850,499
Management of Companies and Enterprises	\$17,776,555	\$1,777,655

Source: DRS

Note: Numbers may not total due to rounding.

#### 4. Fixed Capital Investment Tax Credit

The fixed capital investment tax credit is 5% of the amount paid or incurred by a corporation for new fixed capital investment. The full value of the associated investment is therefore 20 times the tax credit. The claims for this tax credit over 11 years (2005-2015) totals over \$726 million, which points to associated new fixed capital investment of over \$14.5 billion over this time period. For the most recent year available (2015), the total associated investment is almost \$1.5 billion, based on the year's 1,750 claims totaling \$74.9 million.



The fixed capital investment associated with the credits claimed, based on the calculation cited above, is listed below for recent years.

2010	2011	2012	2013	2014	2015
\$1,589,575,372	\$1,316,192,367	\$1,200,602,222	\$1,580,002,852	\$940,191,285	\$1,499,476,260

Source: DECD

The average annual claim over the last 11 years (total claims divided by total number of claims) is roughly \$35,000, which indicates new capital investment of approximately \$700,000 per claimant.

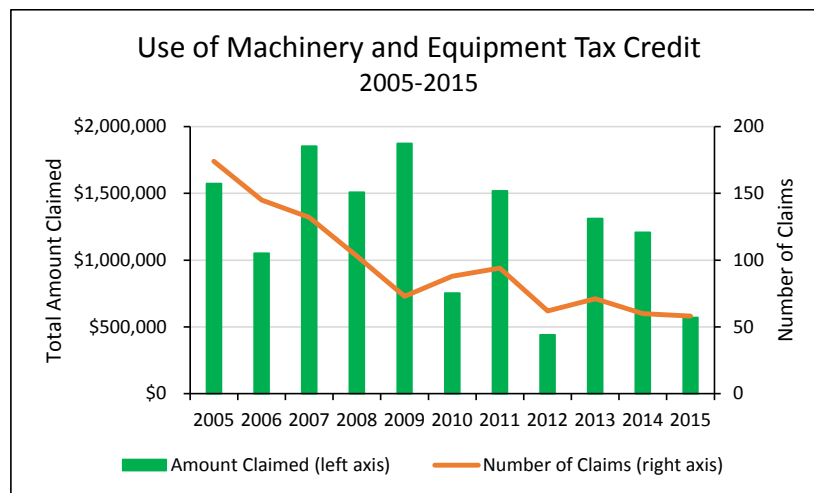
An industry breakdown of the largest claims through 2014 show a variety of industries utilizing this credit, including manufacturing.

Claiming Industry by NAICS Code	2005 to 2014 Sum of Claims	Average Annual Claim
Broadcasting, except Internet: Telecommunications	\$121,149,448	\$12,114,945
Utilities	\$104,028,037	\$10,402,804
Professional and Technical Services	\$96,516,411	\$9,651,641
Management of Companies and Enterprises	\$74,406,926	\$7,440,693
Retail trade	\$54,612,171	\$5,461,217
Transportation Equipment Manufacturing	\$42,579,348	\$4,257,935
Miscellaneous Manufacturing	\$28,327,350	\$2,832,735

Source: DRS

## 5. Machinery and Equipment Expenditure Tax Credit

The machinery and equipment expenditure tax credit is 5% or 10% of the incremental increase in expenditures for machinery and equipment acquired for and installed in a facility in Connecticut that exceeds the amount spent for such expenditures in the prior income year. A 5% credit is available to companies that employ between 251 and 800 full-time, permanent employees whose wages or other compensation are earned in Connecticut, and a 10% credit applies if it employs fewer than 250 such workers. We calculate the associated incremental machinery and equipment expenditures assuming a 10% tax credit to be more conservative (the expenditure is therefore 10 times the tax credit). The claims for this tax credit over 11 years (2005-2015) totals over \$13.6 million, which points to eligible expenditures of over \$136 million over this time period. For the most recent year available (2015), the total associated investment is at least \$5.7 million, based on the year's 58 claims totaling \$571,401.



The incremental increase in new machinery and equipment expenditures associated with the credits claimed, based on the calculation cited above, is listed below for recent years.

2010	2011	2012	2013	2014	2015
\$7,530,124	\$15,288,366	\$6,415,967	\$13,122,547	\$12,328,703	\$5,714,010

Source: DECD

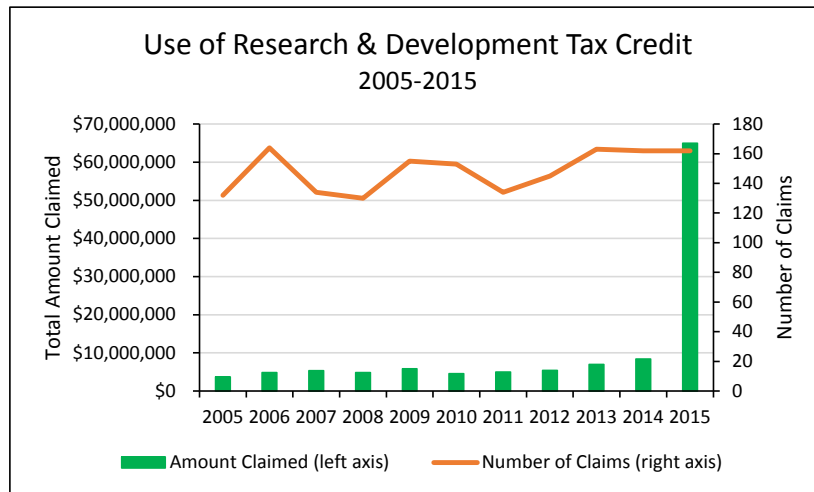
The average annual claim over the last 11 years (total claims divided by total number of claims) is roughly \$13,000, which indicates new capital investment of approximately \$130,000 per claimant. Note that this is an estimate of the company's *incremental* spending in this category, not total spending. An industry breakdown of the largest claims through 2014 show a variety of industries utilizing this credit.

Table 27: Machinery and Equipment Expenditures Tax Credit Claims		
Claiming Industry by NAICS Code	2005 to 2014 Sum of Claims	Average Annual Claim
Miscellaneous Manufacturing	\$2,280,560	\$228,056
Broadcasting, except Internet: Telecommunications	\$1,336,197	\$133,620
Wholesale Trade	\$1,052,151	\$105,215
Fabricated Metal Product Manufacturing	\$1,023,759	\$102,376

Source: DRS

### 6. Research and Development Expenditures Tax Credit

This tax credit is available for research and development (R&D) expenses incurred in Connecticut. The tax credit varies from 1% to over 6%; we calculate the associated activity assuming a conservative 5% average rate. The estimated full value of the associated investment is therefore 20 times the tax credit. The claims for this tax credit over 11 years (2005-2015) totals over \$119 million, which points to associated R&D expenditures of over \$2.3 billion over this time period. For the most recent year available (2015), the total associated investment is almost \$1.3 billion, based on the year's 162 claims totaling \$64.9 million. Because we do not have claims by industry for 2015 from DRS records yet, we cannot see what is behind the significant spike in claims in 2015.



The R&D expenditures associated with the credits claimed, based on the calculation cited above, is listed below for recent years.

<b>Table 28: Research &amp; Development Expenditures by Calendar Year<sup>6</sup></b>					
<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$91,577,380	\$100,959,460	\$108,923,540	\$140,725,789	\$167,957,519	\$1,298,830,180

Source: DECD

The average annual claim over the last 11 years (total claims divided by total number of claims) is roughly \$73,000, which indicates new capital investment of approximately \$1.5 million per claimant. An industry breakdown of the largest claims through 2014 show mostly manufacturing industries utilizing this credit.

<b>Table 29: Research &amp; Development Expenditures Tax Credit Claims<sup>7</sup></b>		
<b>Claiming Industry by NAICS Code</b>	<b>2005 to 2014 Sum of Claims</b>	<b>Average Annual Claim</b>
Miscellaneous Manufacturing	\$9,654,294	\$965,429
Professional and Technical Services	\$8,303,412	\$830,341
Transportation Equipment Manufacturing	\$7,889,021	\$788,902
Chemical Manufacturing	\$7,495,593	\$749,559
Management of Companies and Enterprises	\$4,804,530	\$480,453
Electrical Equipment and Appliance Manufacturing	\$3,492,085	\$349,208

Source: DRS

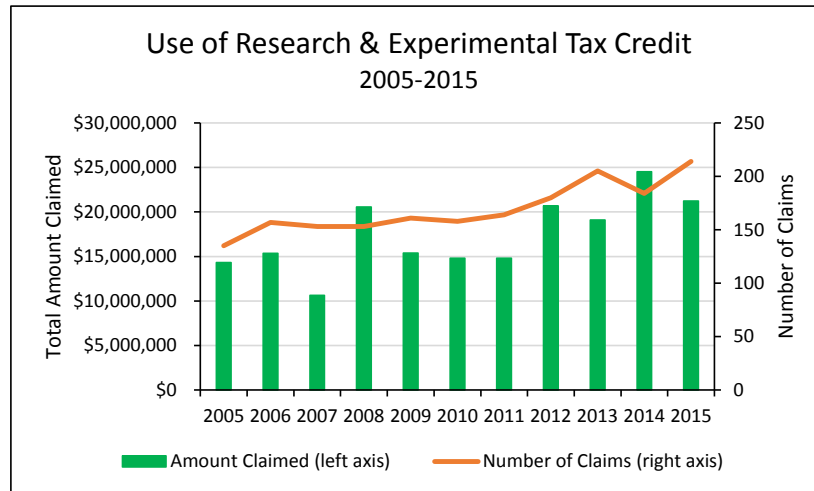
## 7. Research and Experimental (Incremental) Expenditures Tax Credit

This tax credit is equal to 20% of the incremental increase in research and experimental (R&E) expenditures incurred in Connecticut over the previous year's research and experimental expenditure. The estimated full value of the associated R&E expenditures is therefore five times the tax credit. The claims for this tax credit over 11 years (2005-2015) totals over \$191 million, which points to associated incremental R&E expenditures of over \$957 million over this time

<sup>6</sup> Worksheet errors are fixed to reflect the accurate estimates by year.

<sup>7</sup> Worksheet errors are fixed to reflect industry claim totals accurately.

period. For the most recent year available (2015), the total associated investment is over \$106 million, based on the year's 214 claims totaling \$21.2 million.



The incremental R&E expenditures associated with the credits claimed, based on the calculation cited above, is listed below for recent years.

2010	2011	2012	2013	2014	2015
\$74,003,767	\$77,431,256	\$102,861,983	\$93,600,542	\$125,432,278	\$106,183,065

Source: DECD

The average annual claim over the last 11 years (total claims divided by total number of claims) is roughly \$102,700, which indicates new R&E expenditures of approximately \$513,450 per claimant. Note that this is an estimate of the company's *incremental* spending in this category, not total spending. An industry breakdown of the largest claims through 2014 show mostly manufacturing industries utilizing this credit.

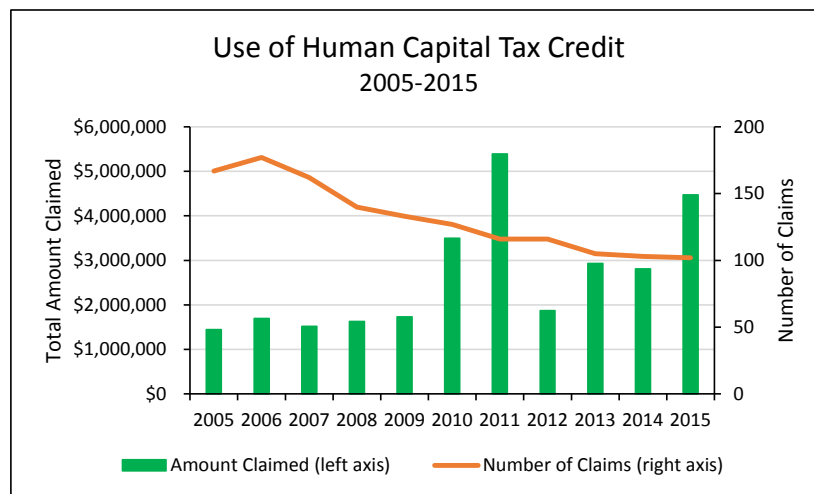
<sup>8</sup> Worksheet errors are fixed to reflect the accurate estimates by year.

Table 31: Research & Experimental Expenditures Tax Credit Claims <sup>9</sup>		
Claiming Industry by NAICS Code	2005 to 2014 Sum of Claims	Average Annual Claim
Professional and Technical Services	\$34,655,465	\$3,465,546
Transportation Equipment Manufacturing	\$34,526,060	\$3,452,606
Miscellaneous Manufacturing	\$29,971,236	\$2,997,124
Computer and Electronic Product Manufacturing	\$13,752,129	\$1,375,213
Electrical Equipment and Appliance Manufacturing	\$11,239,681	\$1,123,968
Management of Companies and Enterprises	\$9,691,002	\$969,100

Source: DRS

### 8. Human Capital Tax Credit

This tax credit is 5% of the amount paid or incurred by the corporation as a human capital investment. These are costs incurred by a firm for a variety of human capital investments including employee training, donations to institutions of higher learning, day care facilities' construction and child care subsidies. The full value of the associated investment is therefore 20 times the tax credit. The claims for this tax credit over 11 years (2005-2015) totals almost \$29 million, which points to associated human capital investments of over \$579 million over this time period. For the most recent year available (2015), the total associated investment is almost \$90 million, based on the year's 102 claims totaling \$4.5 million.



<sup>9</sup> Worksheet errors are fixed to reflect industry claim totals accurately.



The human capital expenditures associated with the credits claimed, based on the calculation cited above, is listed below for recent years.

<b>Table 32: Human Capital Investments by Calendar Year</b>					
<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$70,293,122	\$108,704,900	\$38,113,694	\$58,606,580	\$56,137,980	\$89,415,380

Source: DECD

The average annual claim over the last 11 years (total claims divided by total number of claims) is roughly \$20,000, which indicates new capital investment of approximately \$400,000 per claimant. An industry breakdown of the largest claims through 2014 show a variety of industries utilizing this credit.

<b>Table 33: Human Capital Investment Tax Credit Claims by NAICS Code</b>		
	<b>2005 to 2014 Sum of Claims</b>	<b>Average Annual Claim</b>
Transportation Equipment Manufacturing	\$15,934,007	\$1,593,401
Management of Companies and Enterprises	\$1,765,788	\$176,579
Professional and Technical Services	\$1,421,497	\$142,150
Broadcasting, except Internet: Telecommunications	\$1,041,736	\$104,174

Source: DRS

## II. ECONOMIC DEVELOPMENT PROGRAMS AND ACTIVITIES

### A. Economic Development Investment Analysis

A complete listing of DECD's Economic Development recipients can be found at:

<https://data.ct.gov/Business/Department-of-Economic-and-Community-Development-B/xnw3-nytd/data>

Table 34 shows the various types of direct financial assistance DECD provides. Financial assistance may be in the form of a loan or grant.

Please note that as a result of the interim audit report DECD compared its Economic Development portfolio with CORE reports for the EXP and MAA programs for fiscal years 2008-2017. Projects that were previously unaccounted for have now been added. Tables 34-44 have been updated based on those findings. Additional notes on changes made to a specific table can be found in the notes under that table.

Table 34: Active Portfolio Value by Assistance Type				
Assistance Type	FY 2017		Portfolio	
	Assistance Amount	Percentage of Total	Assistance Amount	Percentage of Total
Loans	\$114,663,767	83.3%	\$887,494,776	76.7%
Grants	\$28,972,537	16.7%	\$269,040,242	23.3%
<b>TOTAL</b>	<b>\$173,636,304</b>	<b>100.0%</b>	<b>\$1,156,535,018</b>	<b>100.0%</b>

Source: DECD

The state's borrowing cost per the Office of the State Comptroller as of June 30, 2017 was 3.23%.

Table 35 provides a breakdown of funding by funding source. Please note that throughout this section MAA program data includes First Five companies that received direct financial assistance.

Table 35: Value by Funding Source						
Funding Source	FY 2017			Portfolio		
	No. of Companies	Assistance Amount	Percentage of Total	No. of Companies	Assistance Amount	Percentage of Total
MAA	31	\$127,502,300	73.4%	251	\$884,283,546	76.5%
EXP	247	\$46,134,004	26.6%	1,621	\$258,601,472	22.4%
Other	0	\$0	0%	5	\$13,650,000	1.2%
<b>TOTAL</b>	<b>278</b>	<b>\$173,636,304</b>	<b>100.0%</b>	<b>1,877</b>	<b>\$1,156,535,018</b>	<b>100.0%</b>
<b>MAA- Lending Partners</b>				107	\$8,552,306	n/a
<b>EXP- Lending Partners</b>				301	\$35,868,520	n/a
<b>Inactive MAA Projects</b>				335	\$271,768,262	n/a
<b>Inactive EXP Projects</b>				61	\$11,409,835	n/a

Source: DECD

*Note: For MAA funding, only business assistance recipients are included in the count above. Companies may have received funding under more than one program or under more than one contract. Companies assisted by DECD's lending partners are not listed on Open Data since compliance is managed by the lending partners. Inactive projects may include companies that have gone out of business, repaid their assistance and left the program, or completed all the contract requirements. 84 inactive projects were moved to the inactive list as a result of DECD's recent review of its original 2017 report. A company may appear on the active and inactive list if it has multiple contracts. Inactive projects are not included in the tables that follow unless otherwise noted.*

Of DECD's entire MAA and EXP active and inactive portfolio of 2,268 companies, 149 have gone out of business. These companies represent 6.6% of companies funded and 3.9% of dollars invested. When a company goes out of business or otherwise defaults on its obligations, DECD gives the company an opportunity to cure the default. If the company is unable to do so, DECD attempts to collect its collateral and may work through the litigation process to recover its losses.

*As a result of DECD's business assistance investments of approximately \$1.16 billion, an additional \$3.89 billion in leveraged funds were invested in Connecticut's economy. In other words, for every dollar invested by DECD, \$3.36 dollars were invested by other sources into the same business projects.*

<b>Table 36: Direct Business Assistance Leverage Ratios</b>			
	<b>Leverage Ratio</b>	<b>Non-DECD Funds</b>	<b>DECD Investment</b>
<i>Active Portfolio</i>	3.36	\$3,888,001,258	\$1,156,535,018

Source: DECD

Table 37 shows the industry mix of the DECD business assistance portfolio as a percentage of the total investment. The department's assistance is closely aligned with target business clusters, with 42.5% of DECD business assistance invested in manufacturing and 16.4% in the finance and insurance sector.

<b>Table 37: Active Business Assistance Portfolio Industrial Composition</b>			
<b>NAICS</b>	<b>Industry</b>	<b>Direct Assistance</b>	<b>%</b>
31-33	Manufacturing	\$491,495,191	42.5%
52	Finance and Insurance	\$189,795,727	16.4%
54	Professional, Scientific and Technical Services	\$83,329,653	7.2%
51	Information	\$74,811,401	6.5%
56	Administrative and Support and Waste Management/ Remediation	\$48,641,332	4.2%
44-45	Retail Trade	\$46,558,705	4.0%

<b>Table 37: Active Business Assistance Portfolio Industrial Composition</b>			
42	Wholesale	\$42,061,550	3.6%
62	Health Care and Social Assistance	\$41,922,243	3.6%
22-23	Utilities/Construction	\$34,653,874	3.0%
81	Other Services	\$28,996,263	2.5%
72	Accommodation and Food Services	\$17,062,821	1.5%
61	Educational Services	\$12,994,700	1.1%
53	Real Estate and Rental and Leasing	\$12,851,780	1.1%
71	Arts, Entertainment and Recreation	\$9,089,030	0.8%
55	Management of Companies and Enterprises	\$8,900,000	0.8%
48-49	Transportation and Warehousing	\$7,989,315	0.7%
11	Agriculture	\$2,910,000	0.3%
21	Mining	\$2,140,000	0.2%
92	Public Administration	\$331,430	0.0%
<b>TOTAL</b>		<b>\$1,156,535,018</b>	<b>100.0%</b>

Source: DECD

Note: Numbers may not total due to rounding.

## **B. Economic Development Direct Assistance Programs**

### **I. Manufacturing Assistance Act Program (MAA)**

The MAA program is DECD's primary funding source for providing direct financial assistance to businesses. Per CGS Sec. 32-221, the goals of the MAA program are to:

- Promote the retention, expansion, and diversification of existing manufacturing and other economic base businesses (most companies are eligible for MAA funding with the exception of retail and hotel businesses);
- Encourage manufacturing and other economic base businesses from other geographic areas to locate into the state; and
- Enhance employment opportunity and the tax base of communities, particularly in the state's more economically disadvantaged communities.

An analysis of the MAA portfolio shows these goals are being met. Approximately 88% of MAA assistance has gone to businesses in DECD's strategically targeted clusters and projects. 64 MAA recipients are located in the State's distressed municipalities. Recipients of MAA funds have committed to create 16,611 new Connecticut jobs and retain 65,452 existing employees. *We recognize that these recipients may have had a requirement to retain the same jobs each time they received funding. In tables 42, 43 and 44 we have accounted for duplicate job creation and job retention requirements across contracts and programs.* Additional data collection to monitor the

MAA program’s achievements could include tracking the number of manufacturers that relocate to Connecticut with DECD assistance. Given the documented success this program has had, it should be continued.

*In FY 2017 DECD received \$27,275,397.57 in principal and interest payments through the MAA program. DECD received an additional \$1,213,737.44 in principal payments and interest from Small Business Assistance Account recipients (both direct and indirect recipients). As of June 30, 2017 the principal balance of outstanding MAA loans is \$367,142,359. The principal balance of outstanding Small Business Assistance Account loans (direct and indirect) is \$9,166,028.*

**a. Economic and Fiscal Impact of the MAA Program:**

We evaluate the full economic impact of the MAA program using the REMI economic model for Connecticut, which estimates the indirect and induced effects of the direct activity undertaken by the companies as a result of the assistance they receive. The company’s activities contingent on the MAA assistance when modeled against the cost to the state, gives a more complete picture as it includes the ripple effects of the program on the state’s economy.

<b>Table 38 : MAA Portfolio Economic Impact</b>	
<b>Changes from Baseline in 2017 Constant Dollars</b>	
	MAA Portfolio Aggregate
New State GDP	\$5,633,285,500
New Personal Income	\$3,452,941,900
New Net State Revenue	\$632,655,800

Source: DECD

*Note: Joint MAA/URA recipients that earned a URA tax credit are not included in the MAA economic impact calculations above, they are included in the URA section earlier in the Revised 2017 report. This is to avoid the double counting of the project’s economic benefit. However, recipients with incentives from both MAA/URA but that have not yet earned a URA tax credit are included in the MAA economic impact calculations.*

The above table shows the total economic impact of the MAA program since its inception estimated using the REMI economic model. The total impact consists of the direct, indirect and induced effects the program, offset by state assistance. The program has generated approximately \$5.6 billion in state GDP and over \$632 million in net state revenue.

Table 39 provides the estimated impact that DECD’s MAA business assistance investments have had on property values in the municipalities in which the investments were made and provides the estimated property taxes generated by DECD’s investments.

<b>Table 39: Business Assistance Portfolio Property and Tax Value Impact – MAA Program 1993-2017</b>	
FY 2017 Project Towns’ Assessed Values	\$214,081,906
Project Towns’ Assessed Value (Total Grand List Increase) from FY 1993-2017	\$2,376,864,987
FY 2017 Property Tax Revenue	\$6,329,750
Portfolio Cumulative Property Tax Revenue FY 1993 - FY 2017	\$403,758,696

Source: DECD

Note: All MAA/URA recipients, regardless of whether or not they earned a URA tax credit, are included above along with regular MAA recipients. This analysis is not done for the URA portfolio.

**b. First Five Plus Program**

On January 1, 2018 DECD released an analysis of the First Five Plus Program, a subset of the MAA program. The report can be found at:

[http://www.ct.gov/ecd/lib/ecd/first\\_five\\_plus\\_program\\_summary\\_-\\_updated\\_jan\\_2018.pdf](http://www.ct.gov/ecd/lib/ecd/first_five_plus_program_summary_-_updated_jan_2018.pdf)

**2. Small Business Express Program (EXP)**

The goal of the EXP program is to provide the capital necessary to fuel small business growth. *Since its inception, 3,547 companies have applied to the EXP program and 1,682 have been funded directly by DECD of which 1,621 are active. The active companies have committed to create 6,525 jobs and retain an existing 19,861 jobs. These job numbers may include duplication if a company has multiple EXP contracts. The jobs tables that appear later in this report have accounted for this potential duplication.* Given the popularity of the program and the number of jobs created and retained, it should be continued.

*In FY 2017 DECD received \$17,716,451.84 in principal payments interest payments through the EXP program. As of June 30, 2017 the principal balance of outstanding EXP loans is \$137,964,630. Numbers in this paragraph include DECD’s direct EXP recipients and may include recipients of EXP loans through a lending partner.*

**a. Economic and Fiscal Impact of the EXP Program:**

<b>Table 40 : EXP Portfolio Economic Impact</b>	
<b>Changes from Baseline in 2017 Constant Dollars</b>	
	<b>EXP Portfolio Aggregate</b>
New State GDP	\$696,350,097
New Personal Income	\$524,653,658
New Net State Revenue	\$108,519,206

Source: DECD

The above table shows the total economic impact of the EXP program since its inception estimated using the REMI economic model. The total impact consists of the direct, indirect and induced effects the program, offset by state assistance. The program has generated an estimated \$696 million in state GDP and over \$108 million in net state revenue. Projects that were previously unaccounted for have now been added to the analysis.

Table 41 provides the estimated impact that DECD’s EXP business assistance investments have had on property values in the municipalities in which the investments were made and provides the estimated property taxes generated by DECD’s investments.

<b>Table 41: Business Assistance Portfolio Property and Tax Value Impact – EXP Program 2012-2017</b>	
FY 2017 Project Towns’ Assessed Values	\$46,784,224
Project Towns’ Assessed Value (Total Grand List Increase) from FY 2012-2017	\$276,864,988
FY 2017 Property Tax Revenue	\$1,689,155
Portfolio Cumulative Property Tax Revenue FY 2012 - FY 2017	\$32,997,532

Source: DECD

**3. Manufacturing Innovation Fund**

The Connecticut Manufacturing Innovation Fund (Fund) supports the growth, innovation and progress of Connecticut's advanced manufacturing sector. There are several programs administered through the Fund including:

- **The Voucher Program** provides up to \$50,000 for the purchase of specialized equipment and expertise that will help improve operations, including marketing, LEAN, compliance, and other technical needs.

- **The Incumbent Worker Training Program** provides financial assistance for growing innovative and technology-based manufacturing businesses to support the training incumbent workers and bringing technological innovation to the market.
- **The Apprenticeship Program** provides financial assistance to manufacturers that have a Registered Apprenticeship Program as well as approved Apprentice Related Instruction Training Providers.
- **The Young Manufacturers Academy** offers free summer programs to promote a positive image of today's advanced manufacturing industry and the rewarding career opportunities it offers.

The Fund is administered by DECD with the advice and counsel of an 11-member advisory board. The Board recently released its 2017 Annual Report which can be found at: [http://www.advancingmanufacturingct.com/pdf/2017 MIF Annual Report 1-17-2018.pdf](http://www.advancingmanufacturingct.com/pdf/2017%20MIF%20Annual%20Report%201-17-2018.pdf)

### **C. Job Creation and Retention Analysis**

DECD's financial assistance agreements with businesses generally require the creation and/or retention of jobs as of a specific date as a condition of financial assistance. Companies have from two to five years within which to reach the agreed upon job goals. DECD or an independent public accountant conduct job audits required by contract that cover a specific period in which the companies are required to have these positions in place. In cases where companies fail to reach their targets, DECD assistance agreements require companies to repay all or a portion of their financial assistance; have their loan interest rates increase; and/or reduce the amount of incentive that may be available, such as in the case with tax credits that may be awarded or forgiveness withheld.

The following information in Table 42 is a summary of job audits that have been conducted for companies in DECD's active portfolio (Direct Assistance and URA Tax Credits) that have contractual employment obligations.

*Please note, as a result of the interim audit report we have accounted for duplicate jobs and have removed them from the tables that follow.*



<b>Table 42: Business Assistance Portfolio Job Audit Results</b>						
		<b>Contract Requirements</b>				<b>% of Contract</b>
	<b># of Companies</b>	<b>Jobs Retained</b>	<b>Jobs Created</b>	<b>Total</b>	<b>Actual Jobs Per Audit</b>	<b>Requirement Attained</b>
Met Job Goal	632	46,943	11,590	58,533	65,308	111.5%
Did Not Meet Job Goal	277	5,120	2,922	8,042	5,886	73.1%
<b>TOTAL</b>	<b>909</b>	<b>52,063</b>	<b>14,512</b>	<b>66,575</b>	<b>71,194</b>	<b>106.9%</b>

Source: DECD

Note: Job audits conducted after 6/30/17 for projects with contracts executed prior to 6/30/17 are included in the table above.

Table 43 shows that 83% of companies met 70% or more of their contractual jobs commitment and overall contractual employment targets have been exceeded by 4,619 jobs.

<b>Table 43: Business Assistance Portfolio Job Goal Attainment</b>			
<b>% of Target</b>	<b># of Companies</b>	<b>Total Jobs Required by Contract</b>	<b>Total Jobs Based on Job Audit</b>
>150%	95	2,284	4,678
141-150%	27	911	1,332
131-140%	32	7,064	6,597
121-130%	30	1,040	1,276
111-120%	105	5,417	6,190
101-110%	124	32,979	37,630
100%	204	3,202	3,170
99-90%	43	2,783	2,610
89-80%	54	2,600	2,158
79-70%	38	6,509	4,992
69-60%	27	238	158
59-50%	35	535	289
<50%	95	1,013	114
<b>TOTAL</b>	<b>909</b>	<b>66,575</b>	<b>71,194</b>

Source: DECD

Note: Job audits conducted after 6/30/17 for projects with contracts executed prior to 6/30/17 are included in the table above.

DECD's financial assistance agreements are protected against non-performance by including claw-backs in the event that a company is unable to fulfill their contractual obligations. DECD actively

enforces the provisions of the financial assistance agreement. Of the 277 companies that failed to reach their job goals 115 had interest rate increases, 110 were charged a financial penalty, 7 had both a financial penalty and a rate increase, 11 repaid its loan early and 4 had tax credit reductions.

DECD is responsible for balancing financial risk and return with the fulfillment of public policy and the agency has strategies and systems in place to safeguard the state’s investments. DECD routinely conducts an economic impact analysis as a part of its underwriting process to determine a project’s economic benefit to the state, including the incremental increase in tax revenues as a result of the investment. DECD’s due diligence process includes several components: a project eligibility review, financial analysis, economic impact analysis, consistency with state land use policies, and technical and regulatory feasibility.

Table 44 provides the cost to the state per job to be created and retained.

<b>Table 44: DECD Cost Per Job</b>					
<b>Total Grant</b>	<b>Total Loan</b>	<b>Tax Credits Allocated</b>	<b>Total Assistance</b>	<b>Jobs to be Created/ Retained</b>	<b>DECD Dollar Cost Per Job</b>
\$269,040,242	\$887,494,776	\$684,000,000	\$1,840,535,018	110,446	<b>\$16,665</b>

Source: DECD

It is important to note that each person employed as a result of DECD business assistance pays income tax to the state. Assuming each of the 71,194 jobs noted in Table 43 earned the average portfolio wage of \$54,651 and paid 4% of their wages in income taxes, the jobs created and retained by DECD business assistance represent approximately \$156 million in annual tax revenue to the state.

#### **D. Wage Analysis**

Table 45 provides the results of a portfolio wage analysis. Based on survey results, companies in DECD’s portfolio paid an average annual salary of \$54,651.

<b>Table 45: DECD Portfolio Wage Analysis</b>	
Average	\$54,651
High	\$405,449
Low	\$21,008
Median	\$48,000

Source: DECD

Table 46 provides the portfolio wage data, stratified over the portfolio industry mix. The highest average wage paid by companies in DECD's business assistance portfolio was with those businesses in the Finance and Insurance industry. The lowest average wage was with those businesses in the Agriculture, Forestry, Fishing & Hunting industries.

<b>Table 46: Business Assistance Portfolio Wages by Industry</b>			
<b>NAICS Code</b>	<b>NAICS Category</b>	<b># of Companies</b>	<b>Portfolio Average Wage</b>
52	Finance and Insurance	26	\$82,689
51	Information	18	\$78,444
54	Professional, Scientific, and Technical Services	72	\$65,331
42	Wholesale Trade	26	\$49,755
81	Other Services	27	\$41,454
62	Health Care and Social Assistance	32	\$51,014
31-33	Manufacturing	159	\$52,404
22-23	Utilities/Construction	33	\$53,188
44-45	Retail Trade	39	\$44,338
56	Administrative and Support and Waste Management/Remediation	17	\$60,750
48-49	Transportation and Warehousing	8	\$44,542
71	Arts, Entertainment and Recreation	17	\$48,638
61	Other Services	4	\$41,400
53	Real Estate and Rental / Leasing	5	\$59,205
11	Agriculture, Forestry, Fishing and Hunting	9	\$34,965
72	Accommodation and Food Service	21	\$43,628

Source: DECD

## **E. International Trade and Foreign Direct Investment**

The role of the International and Domestic Business Development Team is to facilitate commercial international and out-of-state activities in Connecticut. Responsibilities include the following:

- Recruitment of foreign direct investment (FDI) to Connecticut by providing assistance to foreign companies interested in expanding and/or relocating their operations to the state;
- Promote Connecticut abroad as an ideal business location;
- Serve as the liaison to Connecticut's foreign-owned companies;
- Coordinate and lead business development missions and international trade shows; and
- Support protocol duties for members of the international diplomatic corps and foreign delegations visiting Connecticut in conjunction with the state's economic development objectives.

Accomplishments during FY 2017 include:

- DECD submitted a successful State Trade and Export Promotion (STEP) grant application to the U.S. SBA and was awarded \$290,000 in federal funds to increase the number of small businesses that export and increase the value of exports for current small business exporters. STEP funds assisted 53 eligible small businesses with various export activities, including trade missions, foreign and domestic trade shows, business-to-business meetings, translations and international marketing efforts.
- Connecticut continued its work on the Steering Committee of the Organization for International Investment (OFII) Frontlines Coalition. OFII promotes policies that encourages foreign-based companies to establish U.S. operations.
- Supported the global presence of Connecticut companies by sponsoring booths at the following trade shows:
  - Medica 2016 in Dusseldorf, Germany- participation as part of the "Best of New England" booth at the world's leading medical trade fair
  - Hannover Messe 2017 in Hannover, Germany- 5 companies participated in the Connecticut booth in the Energy Hall's Hydrogen, Fuel Cell and Battery Technology exhibit, which resulted in \$1,319,000 in anticipated export sales for Connecticut sub-exhibitors in the booth

- Paris Air Show 2017 in Paris, France- 14 companies participated in the Connecticut booth in one of the world’s largest aerospace and defense trade shows, which resulted in \$23,805,000 in anticipated sales for the Connecticut booth’s sub-exhibitors
- Connecticut participated in lead generation opportunities at the SelectUSA Summit in Washington, DC.
- Served on committees and boards of various internationally-oriented organizations, including the Commissioner serving on the U.S. International Advisory Board (an FDI-focused board reporting to the U.S. Secretary of Commerce); Eastern Trade Council (ETC), State International Development Organizations (SIDO), MetroHartford Alliance’s Global Business Committee, and UConn Center for International Business and Education Research.
- In FY 2016, DECD hosted and interfaced with several inbound delegations, including Turkey, China, Germany, Israel, Brazil and Kazakhstan.

#### F. Airport Development Zones

During the period of October 1, 2016 – September 30, 2017, the Bradley Airport Development Zone and Waterbury-Oxford Development Zone continued to experience ongoing interest. Three applicants, American Cladding Technologies, Inc., and CoorsTek, Inc. were approved by DECD for ADZ benefits at East Granby for Bradley Development Zone. Additionally, Stihl Incorporated was approved for Oxford Development Zone. American Cladding Technologies renovated and leased 20,000 SF facility and CoorsTek, Inc. expanded by constructing a 11,025 SF addition to their facility, both in East Granby. Meanwhile, Stihl Incorporated constructed 110,000 SF distribution center in Oxford. Based on the application the three companies projected a combined capital investment of \$2,788,601.00 resulting in creation and retention of 186 jobs.

**Table 47: DECD Airport Development Zone Program Activity**

	<b>Program Year 2017</b>	<b>Total ADZ Program</b>
Companies Approved for Eligibility	3	8
Total SF Built or Acquired	141,025	298,321
Total Anticipated Expenditures on Construction, Acquisition and Equipment	\$8,862,330	\$18,220,330
Total Full-Time Jobs to be created/ retained	186	398

Source: DECD

Note: Five companies were certified prior to DECD taking over the ADZ program. They are not included in the table above. Anticipated expenditures and full-time jobs to be created and retained are provided by the zone on its application and have not been audited by DECD.

The following tables show the Oxford and Groton Airport Development Zone’s projected Economic Impact on Connecticut. *These projections were prepared by the towns before the zones were certified. Due to the timing of its application, the Bradley Development Zone was not required to submit a projected economic impact.*

<b>Table 48: Oxford Airport Development Zone Projected Economic Impact</b>		
<b>Impacts</b>	<b>Ten Year Total</b>	<b>Per Year Average</b>
State Net New Revenue	\$165,532,499	\$16,553,250
Gross State Product	\$1,914,391,282	\$191,439,128
Direct and Indirect Employment	1,639	

Source: DECD

<b>Table 49: Groton Airport Development Zone Projected Economic Impact</b>		
<b>Impacts</b>	<b>Ten Year Total</b>	<b>Per Year Average</b>
State Net New Revenue	\$316,268,000	\$31,626,800
Gross State Product	\$4,169,800,000	\$416,980,000
Direct and Indirect Employment	1,731	

Source: DECD

*Claims data from companies located in Airport Development Zones is included in the Enterprise Zone data provided to DECD by OPM, and therefore are incorporated into the Enterprise Zone analysis beginning on page 33 above.*

### **G. Office of the Permit Ombudsman**

The Office of the Permit Ombudsman was created within DECD to expedite regulatory state agency approvals for qualifying economic development projects that need environmental, public health, and transportation permits. The Permit Ombudsman acts as a facilitator between state regulatory agencies and businesses to fast track projects through regulatory approvals and to resolve permitting issues.

During FY 2017 the Office of the Permit Ombudsman:

- Assisted Office of Business Development with numerous inquiries for businesses seeking to either understand state permit processes or get answers on permits review time lines.

- Coordinated and facilitated regulatory pre-application permitting meetings with Department of Energy and Environmental Protection, Department of Transportation, and Department of Public Health.
- Reviewed and commented on new regulatory draft proposals that may impact small business as required by CGS section 4-168a.
- Reviewed state’s proposed properties releases and transfers for economic development potential by the DECD or an affected municipality. Shepherded the conveyance of the Ashmun Street property in New Haven to the City of New Haven.
- Reviewed various notifications submitted by the Connecticut Siting Council
- Continued leading the ongoing effort to find solutions for processing and beneficial use of dredged materials. Tipping Point Resources Group has announced its official organization in January of 2017 and has officially requested the State Permit Ombudsman to assist them with the pre-application process for a CT Solid Waste Demonstration Project.
- Helped the CDBG–DR program, administered through the Department of Housing (DOH), achieve compliance with the Federal requirements under National Environmental Policy Act.
- Assisted DOH coordinating the Flood Management Certification (FMC) application and approval process for state-funded housing projects.
- Evaluated a need for Flood Management Certifications for DECD funded brownfield projects and carried through permitting process.
- Participated in the quarterly meetings of the DEEP Solid Waste Advisory Committee.
- Oversaw ongoing efforts to remediate and pre-permit state-owned and formerly state-owned Brownfield sites according to the provisions of PA 11-1.
- Participated in the ongoing process for transformation of DEEP Brownfield Regulations through the DEEP Remediation Roundtable.

**Table 50: Office of the Permit Ombudsman FY 2017 Activity**

<b>Municipality</b>	<b>Applicant</b>	<b>Date of Request</b>	<b>Reasons for eligibility</b>	<b>Jobs/ Housing Units</b>	<b>Participating Agencies</b>	<b>Permit Granted/ Denied Date</b>	<b>Reason for Disqualification</b>
Windsor and Bloomfield	Trader Joe's East	2/22/2017	Economic Development	600 jobs	OSTA; DEEP	3/30/2017	N/A
Regional sediment processing facility in New Haven	Tipping Point Resource Group	1/18/2017	Green jobs, economic development	green jobs	DEEP	Solid Waste demonstration pilot permit	NA
New Haven	NE Infrastructure and Site Management	6/20/2017	Green jobs, economic development	green jobs	DEEP	7/11/2017	NA
Bridgeport	Barnum Landing Ferry Terminal	6/11/2017	Economic Development	over 100 jobs	DEEP(SW)	TBD	Client app. submission delinquencies/ Municipality coordination
Oxford	Pheasant Run	5/24/2017	Economic Development	over 100 jobs	OSTA/DOT	application assistance	NA
TBD	Plasma Collector Center	6/22/2017	Economic Development	TBD	DPH/DEEP	pre-permitting application assistance	NA
New Haven	District NHV	4/19/2017	Economic Development	200	DEEP SW	8/31/2017	NA
New Haven	District NHV	5/22/2017	Economic Development	200	OSTA/DOT	8/8/2017	NA

Source: DECD, Office of the Permit Ombudsman



## H. Brownfields

A brownfield is any abandoned or underutilized site where redevelopment and reuse has not occurred due to the presence of pollution in the buildings, soil or groundwater that requires remediation before or in conjunction with the restoration, redevelopment or reuse of the property.

A listing of DECD's Brownfields projects can be found online at: <https://data.ct.gov/Business/Department-of-Economic-and-Community-Development-B/t2xi-dmhg>

*Please note that the Brownfield's analysis that follows was updated from the original 2017 report.*

### 1. Investment Analysis

The Office of Brownfield Remediation and Development (OBRD) is a dedicated office within DECD with the primary mission to be a one-stop resource for brownfield development in Connecticut. As such, OBRD coordinates the state's response for brownfield assistance to communities and businesses. Brownfield redevelopment projects are usually long term and have a variety of complicated environmental, legal, and financial obstacles to overcome. Hundreds of underutilized or abandoned properties exist in every town in Connecticut. *Over the last ten years, DECD has funded 271 brownfield projects with approximately \$196 million in funding through a mix of loans and grants.*

Table 51: Brownfield Activity						
	# of Projects	Total DECD Investment	Total Project Cost	Non- DECD Funds	Leverage Ratio	Acreage
FY 2017	39	\$41,592,484	\$1,361,868,366	\$1,320,275,882	31.74	817
Brownfield Portfolio	271	\$196,142,552	\$2,292,256,704	\$2,096,114,152	10.69	3,351

Source: OBRD

Note: Brownfield Activity includes Dry Cleaning Establishment Remediation Fund projects. It does not include projects funded through the SCPRIF program. The revised 2017 annual report includes projects and non-DECD funds previously omitted.

### 2. FY 2017 Funding Rounds

OBRD continues to channel the state's active commitment of funding into the brownfield remediation program. One funding round was completed and awarded in 2016. Referred to as Round 10, \$6.9 million was distributed in the form of brownfield grants to 14 towns and cities. These projects comprise 424 acres of redevelopment as stated in the applications. As with all the previous awards in our program, these projects represent eyesores in communities that will be repurposed. The transformations continue with each subsequent round of funding OBRD manages. Round 10 also brought funding in a few first time applicants, especially for

environmental assessment grants (\$200K or less). OBRD is mindful of the brownfield need that exists throughout every part the state. The brownfield program has made major investments in Connecticut’s urban centers while also helping smaller communities tackle longstanding challenges.

All of the brownfield grants continue to be awarded on a competitive basis through an inter-agency rating and ranking of each application submitted for the respective deadline. This scoring is followed by an in-person interview. Round 11 of brownfield funding will be administered in FY 2018.

**a. Brownfield Area Wide Revitalization Planning Grant (BAR)**

Six municipalities in the state – East Hartford, Meriden, New Britain, Old Saybrook, Torrington and Waterbury were awarded a total of \$1,040,000 to develop plans for remediating and developing clusters of brownfield sites under the first funding round of the BAR Planning Grant Program in January 2016. Most of the planning projects are expected to be completed by March 2018.

**b. State-Owned Brownfields PA 15-193**

The state bond commission approval \$10 million in February 2017 for the abatement, demolition and remediation of the 393-acre former Norwich Hospital site located in Preston. The town has entered into a development agreement with the Mohegan Tribal Gaming Authority for a private non-gaming development that is expected to create more than 400 permanent jobs. This property has sat vacant since the hospital closed in 1996. DECD has worked with Preston to help the redevelopment of the property with previous brownfield grant and loan funds.

**3. Brownfield Remediation and Revitalization Program**

OBRD administers the Brownfield Remediation and Revitalization Program (BRRP) that was enacted through Public Act No. 11-141. Acceptance into the program protects participants from liability to the state or any third party for the release of contamination that participants did not cause, exacerbate, or contribute to and that existed before they acquired the eligible property. Applicants must meet the definition of a Bona Fide Prospective Purchaser, Innocent Landowner or Contiguous Property Owner. The subject property must meet the definition of a brownfield and have been subject to a release of a regulated substance in an amount that is in excess of the

remediation standards. This pioneering program was established as one of the first of its kind in the U.S. and is providing a catalyst for the redevelopment of brownfields in Connecticut.

The DECD Commissioner in consultation with the DEEP Commissioner will determine admission of eligible properties based on statewide portfolio factors for up to 32 projects per year. Applicants who are accepted into the BRRP shall remediate the release of any regulated substance within the property boundary but are not required to investigate or clean up any contamination beyond the property’s boundary. Any applicant accepted into the BRRP shall pay DEEP a fee equal to 5% of the assessed value of the land, as stated on the last-completed grand list of the relevant town (subject to certain fee waiver provisions).

During FY 2017 OBRD received 6 applications and 1 application was pending from FY 2016. OBRD issued 4 approvals.

<b>Table 52: Brownfield Remediation and Revitalization Program Activity FY 2017</b>		
<b>Applicant</b>	<b>Address</b>	<b>Status</b>
Troutbrook Realty Advisors LLC	West Hartford	Approved 7/7/2016
Heritage Downtown LLC	Naugatuck	Approved 3/1/2017
Old Turkey Hill LLC	Middletown	Approved 3/17/2017
Henry Street LLC	New Haven	Approved 4/25/2017

Source: DECD

#### **4. Special Contaminated Property Remediation and Insurance Fund (SCPRIIF)**

The Office of Brownfield Remediation and Development administers the SCPRIIF program in cooperation with the Department of Energy and Environmental Protection. The program provides financial assistance through low-interest, five-year loans for environmental investigation, remediation and demolition. Any person, corporation, municipality or business is eligible to apply for SCPRIIF.

Loan funds may be repaid upon sale or lease of the property, or upon approval of a final remedial action report done on the property. In the event the assessment determines that redevelopment of the site is not feasible due to the cost of remediation, loans made under SCPRIIF may be forgiven under certain conditions. In the past 10 years, the SCPRIIF program has funded 15 loans with a contract value of approximately \$1.6 million.

<b>Table 53: DECD SCPRIF Activity</b>		
	<b># of Projects</b>	<b>Total DECD Investment</b>
<b>DECD SCPRIF Portfolio</b>	15	\$1,563,050

Source: DECD

In FY 2017, no applications were received for this program.

## 5. Dry Cleaning Establishment Remediation Fund

Since January 1, 1995, all dry cleaning establishments have been required to pay a one-percent surcharge on the gross receipts at retail for any dry cleaning services performed. This money is deposited into the dry cleaning establishment remediation account which is a non-lapsing account within the General Fund. Eligible entities can apply to DECD for grants to facilitate the environmental remediation of property contaminated as a result of the chemicals used in the dry cleaning industry. Eligible entities consist of dry cleaning business owners and owners of real estate whereby a dry cleaner is currently or was formally located. The program is available statewide and requires a \$10,000 co-pay by the applicant.

OBRD is committed to administering the Fund efficiently and with a high degree of customer service within the available program funds. There are two final remaining applications that remain open from 2009. The 2014 application intake round yielded 33 applicants which requested \$7.5 million through a simple initial intake form. Because of the continuing interest in the program a second intake period was made available for new applicants. The 2016-17 intake round yielded 23 new applicants. Both intake round applicants have secured a place in line to approach the Fund and will be contacted when the Fund is in the position to offer the grant funds. Applicants should still expect a significant waiting period as the annual dry cleaning surcharge receipts do not cover the industry demand.

OBRD continues to improve the operations of the Dry Cleaning Fund, including conducting semi-annual information sessions open to the public. FY 2017 included two public informational meetings held on January 30, 2016 and July 12, 2017. Each was well attended by dry cleaning owners and members of the environmental community. Updates to the program or any information can easily be found under the dry cleaning tab of the [www.ctbrownfields.gov](http://www.ctbrownfields.gov) web page.

Over the past 10 years, 56 sites have received over \$7 million in aid, ranging from \$25,000 to the maximum grant amount of \$300,000. Five applications were approved for FY 2017. Great strides were made in clearing the oldest back log of projects from years 2008-09 and OBRD has begun the review of the 2014 Intake Round.

#### **6. Connecticut Brownfields Land Banks Program**

“Connecticut Brownfield Land Bank” means a Connecticut nonstock corporation certified by the Commissioner of Economic and Community Development pursuant to section 2 of the Act, established for the purposes of (A) acquiring, retaining, remediating and selling brownfields in the state for the benefit of municipalities, (B) educating government officials, community leaders, economic development agencies and nonprofit organizations on best practices for redeveloping brownfields, and (C) engaging in all other activities in accordance with section 2 to 6, inclusive, of the Act.

The Connecticut Land Bank Program was passed into law under PA 17-214. OBRD is authorized to certify non-profit organizations as Land Banks. The non-profit would be eligible for the same remediation funding as a municipality but may be better equipped to pursue other types of funding. This new program has great potential in that it helps the competition to begin among contaminated sites and it elevates the administrative burden of complex brownfield remediation from the smaller towns to qualified project development professionals. DECD has not received applications as of the close of FY 2017.

**III. COMMUNITY DEVELOPMENT PROGRAMS**

**A. Community Development Impact**

DECD’s broad community development portfolio includes a wide variety of project types including arts and entertainment, economic development planning and technical program support. Community development activities create the environment necessary for sustainable economic growth, stable neighborhoods and healthy communities. Community development activities address the quality-of-life issues that create and reinforce the foundation that effective economic and housing development depend upon for success.

**B. Capital Projects**

A complete listing of DECD’s Capital Projects recipients can be found at:

<https://data.ct.gov/Business/DECD-Capital-Projects-Portfolio/5jrt-794p/data>

DECD’s Capital Projects Portfolio includes projects funded through a variety of programs including the Small Town Economic Assistance Program and Urban Action Grant Program. In FY 2017 the state invested over \$29.2 million into 44 community development projects bringing total active investment oversight by DECD to over \$558 million. Table 54 summarizes DECD’s community development activity.

<b>Table 54: DECD Community Development (CD) Activity</b>					
	<b># of Projects</b>	<b>Leverage Ratio</b>	<b>Total Project Cost</b>	<b>Non-DECD Funds</b>	<b>DECD Investment</b>
FY 2017	44	.64	47,965,692	\$18,696,521	\$29,269,171
CD Portfolio	548	.76	\$997,203,590	\$423,213,873	\$558,751,716

Source: DECD

**C. State Historic Preservation Office (SHPO)**

A complete listing of DECD’s SHPO grant recipients can be found at: <https://data.ct.gov/Housing-and-Development/Fiscal-Year-2017-DECD-SHPO-Grant-Recipients/x4vp-yfkk>

In FY 2017 SHPO granted \$1,857,411 to 35 eligible recipients. A description of each program administered by SHPO follows.

<b>Table 55: FY 2017 SHPO Grant Activity</b>	
<b>Number of Recipients</b>	<b>Grant Amount</b>
35	\$1,857,411

Source: DECD

**1. State Historic Structures Rehabilitation Tax Credit (C.G.S. §10-416c)**

The State Historic Structures Rehabilitation Tax Credit is a 25% tax credit for qualified rehabilitation expenditures (QREs) associated with the rehabilitation of certified historic structures. Nonresidential uses include commercial, institutional, governmental or manufacturing. An additional 5% tax credit is available for projects that include affordable housing. If the project includes an affordable housing component, at least 20% of the rental units or 10% of for sale units must qualify under CGS Section 839a. Qualified rehabilitation expenditures are hard costs associated with rehabilitation of the certified historic structure; site improvements and non-construction costs are excluded. Buildings must be listed on the National or State Register of Historic Places, either individually or as part of an historic district. The program has an annual aggregate cap of \$31.7 million in tax credit reservation, and a cap of \$4.5 million in tax credits per building.

In FY 2017, SHPO received 38 new applications to the program and reserved \$31,700,000 in tax credits. SHPO issued 23 tax credit vouchers totaling \$20,687,760 under the State Historic Rehabilitation Tax Credit Program during FY 2017.

**2. Federal Historic Preservation Tax Incentives Program**

The Federal Historic Preservation Tax Incentives Program was established in 1977 by the National Park Service in response to the Tax Reform Act of 1976, which corrected a long-standing imbalance in the federal tax code that favored new construction. By offering a 20% tax credit for the rehabilitation of income-producing properties, the law helped historic buildings attract major private investment for the first time. Nationwide during Federal FY 2016, 1,553 new rehabilitation projects were approved; 21,139 new housing units were created; and \$5.85 billion investment dollars were spent on new rehabilitation work.

In Federal FY 2016, 36 federal tax credit applications were approved. Of the completed projects, \$155,553,302 was generated in private investment.

### **3. The Historic Homes Rehabilitation Tax Credit**

The Historic Homes Rehabilitation Tax Credit is a 30% tax credit for QREs associated with the rehabilitation of owner-occupied historic homes of 1-4 dwelling units. In the case of multiple dwelling units at least one unit must be owner-occupied. Buildings must be listed on the National or State Register of Historic Places, either individually or as part of a historic district. The annual aggregate cap is \$3 million in tax credit reservations, with a \$30,000 cap per dwelling unit for private home-owners and \$50,000 for non-profit housing development corporations.

During FY 2017 SHPO reserved \$1,314,602 in Historic Homes Rehabilitation Tax Credits.

### **4. Historic Preservation Enhancement Grant (HPEG)**

HPEG are non-matching federal funds of up to \$20,000 available to municipalities that have been designated Certified Local Governments. Grants are to support activities sponsored by Municipal Historic District Commissions that enhance the commission's administrative capabilities, produce public education materials and activities and strengthen local preservation programs.

In FY 2017 SHPO awarded \$20,000 in grants to one municipality.

### **5. Supplemental Certified Local Government Grant**

Supplemental Certified Local Government Grants are up to \$30,000 and are available to municipalities that have been designated Certified Local Governments. The grant requires non-state matching funds except for survey work. The grants may be used to support activities sponsored by municipalities for a wide range of historic preservation planning activities including conditions assessments, feasibility studies and architectural plans and specs to support restoration projects.

In FY 2017 SHPO awarded \$60,000 to two municipalities.

### **6. Historic Preservation Survey & Planning (S&P) Grants**

S&P grants may be used by Connecticut non-profit organizations and municipalities for a wide range of historic preservation planning activities, including surveys, nominations to the National or State Registers of Historic Places, pre-development studies, heritage tourism and other planning documents. With state funds provided by the Community Investment Act, SHPO



awards S&P grants of up to \$20,000 on a competitive basis. Applications are accepted on a continuing basis as long as grant funds are available. Non-profit organizations or municipalities may have only one active S&P grant at a time.

During FY 2017 SHPO awarded 5 projects with a total of \$95,500 in S&P grants.

#### **7. Threatened Properties Fund Grants (TPF)**

TPF grants provide financial assistance for historic resources which have been damaged by unanticipated man-made or natural acts and circumstances beyond the owner's control, including: acts of nature, fire, vandalism, etc. TPF grants are available to Connecticut municipalities and 501(c)3 and 501(c)13 nonprofits to be used for the restoration or stabilization of Connecticut's historic resources which are listed in the State or National Registers of Historic Places. TPF grant applications are matching grants; however, the match can be waived upon request and will be reviewed by SHPO on a case-by-case basis. Project work must be consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties. A preservation restriction of limited duration must be able to be recorded on the property.

No TPF grants were awarded during FY 2017.

#### **8. Historic Restoration Fund (HRF)**

HRF grants provide financial assistance for the rehabilitation, restoration, stabilization, or acquisition of historic properties listed on the State or National Registers of Historic Places. The property must be owned by a municipality or a 501(c)(3) or 501(c)(13) nonprofit organization and the grant awards are paid as a one-time reimbursement. Applications are accepted once a year. The grant awards range from \$5,000-\$50,000. All work must meet the Secretary of the Interior's Standards for the Treatment of Historic Places. A preservation restriction or easement of limited duration must be placed on the property following completion of the project.

During FY 2017 SHPO awarded 18 HRF grants totaling \$775,614.

#### **9. Partners in Preservation Grants (PIP)**

PIP grants provide financial assistance to a municipality or a 501(c)(3) or 501(c)(13) nonprofit organization for Historic Preservation Education and Awareness projects and programs. Grants cap at \$20,000 and require non-state matching funds.

During FY 2017 SHPO awarded 6 grants totaling \$516,297.

### 10. Basic Operational Support (BOS)

BOS grants provide financial assistance to local historic preservation organizations. Funds are used for basic operational needs in order to help build an organization’s capacity and independence. Grant awards are spread out over 3 years and require non-state matching funds. After the initial 3-year grant period, the organization is eligible to apply yearly for up to 20% of its operating budget

During FY 2017 SHPO awarded 3 grants totaling \$390,000.

### D. Connecticut Office of the Arts (COA)

Equity, inclusion and access involving all populations are critical to the vitality of our neighborhoods, towns, and cities. We acknowledge that there is much work to do in this area. We are committed to supporting and fully engaging diverse members of our communities in arts policy, practice, and decision making. Continually changing demographics invite opportunity for responsible and responsive social change by attracting new perspectives that connect minds to a vision and hands to a purpose through the arts. The Connecticut Office of the Arts uses the lenses of relevance, equity, access, diversity, and inclusion (READI) to guide programmatic and investment decisions within a framework of artistic excellence.

A complete listing of the recipients of the DECD Arts programs described below can be found at: <https://data.ct.gov/Housing-and-Development/FY-2017-DECD-Office-of-the-Arts-Grants/a8wq-r99q>

During FY 2017, COA granted \$7,171,860 to 312 recipients. A description of COA programs follows.

Table 56: FY 2017 Arts Grant Activity	
Number of Recipients	Grant Amount
312	\$7,171,860

Source: DECD

#### 1. Arts & Community Impact Program

The Arts & Community Impact Program funds projects that create or sustain a meaningful relationship with non-arts stakeholders to effectively connect the intrinsic value of the arts to identifiable community needs, interests or opportunities. COA provided funding support to 12

organizations under this program in FY 2017. The total amount granted through the Arts & Community Impact program was \$154,699.

## **2. Arts Learning Grant Program**

The Arts Learning Grant Program awards grants for the planning and implementation of new or expanded arts in education-based projects that engage partners to advance teaching and learning for birth to grade 12 in a defined community setting. COA provided funding to 11 organizations under this program in FY 2017. The total amount granted through the Arts Learning category was \$169,780.

## **3. Public Art Community Projects**

The Public Art Community Grant Program awards grants for the planning and implementation of community-based public art projects that engage in quality partnerships and consider community needs. COA provided funding support to 8 organizations and 1 individual under this program in FY 2017. The total amount granted through the Public Art Community Projects category was \$153,000.

## **4. Supporting Arts in Place Grants**

Supporting Arts in Place Grants are formula-based awards to provide support for the basic operations of arts organizations whose on-going work is relevant to the community. For FY 2017, COA awarded a total of \$515,000 to 80 arts organizations through the Supporting Arts in Place program.

## **5. The Connecticut Arts Endowment Fund**

The Arts Endowment Fund was established by the State of Connecticut to stimulate the development of private sector funding and help stabilize arts institutions. Interest earned on the Fund's principal is distributed annually to Connecticut non-profit arts organizations which have received a minimum of \$15,000 in contributions from non-governmental sources in each of the last two years. Grant awards are calculated based on a mathematical formula that rewards those organizations reporting a substantial increase in the amount of private sector contributions received during the prior year. Organizations may use funds for capital projects, general operations, programming, or to build their own endowments. For FY 2017, 113 organizations received funding support totaling \$396,854 through the Arts Endowment Fund program.

## **6. Regional Service Organizations (RSO)**

The Office of the Arts partners with 9 Regional Service Organizations that serve as local field offices to constituents and citizens. This statewide network plays a key role that is mutually beneficial to the state's citizens and the creative economy, the regional arts and cultural infrastructure, and COA's goals, programs, and services. These service organizations support Connecticut's economy and provide arts and cultural leadership at the regional level. In FY 2017, COA provided an aggregate total of \$206,119 to our regional partners.

## **7. Regional Initiative Arts Grants**

Regional Initiative Arts Grants support small community arts projects that engage in a specific community matter, reflect on personal experience, and/or bring neighborhoods together. For FY 2017, COA provided a total of \$303,200 in grant funds which were regionally distributed throughout the state through the statewide network of the 9 Regional Service Organizations.

## **8. Legislatively Directed Funds**

DECD, through the Office of Arts and SHPO, administers legislatively directed funds ("line items") for a wide range of cultural institutions and organizations throughout the state. For FY 2017, these funds provided an aggregate of \$4,802,208 in financial support to 49 organizations. Recipients of Legislatively Directed Funds are included in the Arts recipient link at the beginning of this section.

## **9. Arts Partnerships**

COA engages in a strategic partnership with and provides financial support to the Green Street Arts Center at Wesleyan University in the amount of \$350,000 for the management and administration of its Higher Order of Thinking (HOT) Schools program which is a network of schools, administrators, parents, teachers and artists who are interested in school improvement through the arts (standards-based arts education, arts integration, and democratic practice). Currently participating urban, rural and suburban schools include 7 HOT Spotlight Schools: Integrated Day Charter, Norwich; Jack Jackter Intermediate, Colchester; John Lyman Elementary, Regional District 13; Kinsella Magnet School of Performing Arts, Hartford; Lincoln Middle, Meriden; Nathan Hale Arts Magnet, New London; Pleasant Valley Elementary, South Windsor and 7 Network Schools: Alcott Elementary, Wolcott; Columbus Magnet, Norwalk; Edgewood Magnet, John C. Daniels School of International Communication, and Worthington

Hooker School in New Haven; Martin Elementary, Manchester; and Samuel Staples Elementary, Easton which engage in ongoing professional development and provide leadership for educators statewide. Schools that implement the HOT Approach with fidelity consistently show increased attendance by both students and teachers, decreased behavior referrals, and high rates of student advancement to the next grade level. Other results show that students in HOT Schools perform well on standardized writing tests as well as improvements in math.

#### **10. Elizabeth L. Mahaffey Arts Administration Fellowship**

In FY 2017, the Elizabeth L. Mahaffey Arts Administration Fellowship was redesigned to support emerging and mid-career arts administrators in Connecticut as they pursue professional development and other opportunities that will advance their careers in arts administration. COA awarded 3 individuals with \$2,500 each to support a wide-range of activities aimed at strengthening the individuals' arts leadership, business and career goals.

#### **11. Strategic Plan**

COA undertook the creation of a five-year strategic planning process using a set of tools borrowed from the design and architecture worlds that focuses on human-centric information gathering and process design. Art is often difficult to quantify with numbers and statistics; yet, it is frequently defined and planned for in that matter. Art delivers intangible stories, perspectives, and emotions and is too regularly improperly summarized using quantitative data. It is with this in mind that our office engaged in a human-centered design approach to researching the current state of the arts within Connecticut. Knowing that art is made by, for, and about people, we utilized a research methodology that puts people first and allows their voices to be heard. Through this human-centered design methodology, we were able to refocus the Office of the Arts on the future of creativity in Connecticut. After listening to the voices of artists, arts organizations, government agencies, teaching artists, community leaders, and philanthropists, we wrote a new mission and vision, and aligned our office with goals of equity and inclusion. The Connecticut Office of the Arts' 2017-2021 strategic plan can be found at:

[http://www.ct.gov/cct/lib/cct/FINAL\\_Connecticut\\_Office\\_of\\_the\\_Arts\\_Strategic\\_Plan\\_2017-2021\\_FINAL\\_FOR\\_PRINT.pdf](http://www.ct.gov/cct/lib/cct/FINAL_Connecticut_Office_of_the_Arts_Strategic_Plan_2017-2021_FINAL_FOR_PRINT.pdf)

## **12. Arts Workforce Initiative**

With funding from the National Endowment for the Arts, COA administered the Arts Workforce Initiative, a paid ten-week internship program giving college students and emerging arts professionals an opportunity to gain hands-on and engaging work experience with creative organizations throughout the state. The program, funded at \$45,000, was specifically designed to provide an opportunity for applicants from diverse and traditionally underrepresented backgrounds to gain professional experience in the arts. The following individuals were placed as interns in museums, art organizations and performing arts centers throughout the state: Catherine Harger, Windsor, CT; Leslie Hernandez, Manchester, CT; Hunter Mitchell, Stratford, CT; Collette Grimes, Hartford, CT; Abigail DuPont, Thomaston, CT; Jhulenty Delossantos, Bridgeport, CT; Gianna DiMaiolo, Tolland, CT; Maritza Quintuna, Bridgeport, CT; Robyn Genzano, Hamden, CT; Jamie Beldon, Southbury, CT; Rebecca Maynard, Clinton CT; and Grayson Grazia, Sherman, CT.

## **13. Poetry Out Loud**

With funding from the National Endowment for the Arts and the National Poetry Foundation, COA partners with the Connecticut Humanities Council to administer the Poetry Out Loud competition. Poetry Out Loud encourages students to learn about great poetry through memorization and recitation. This program, funded at \$20,000, helps students master public speaking skills, build self-confidence, and learn about the literary history and contemporary life. Poetry Out Loud uses a pyramid structure that starts at the classroom level. Winners advance to a school-wide competition, then to a regional and/or state competition, and ultimately to the National Finals in Washington, DC. The 2017 Poetry Out Loud State Champion was Classical Magnet School student Gabrielle D. Kunzika of Vernon, Connecticut.

## **14. Connecticut Arts Day**

COA in partnership with the state's 9 Regional Service Organizations and the Connecticut Arts Alliance presented the 2nd annual Connecticut Arts Day in March 2017. The annual Arts Day celebrates Connecticut's investment in and support of the arts and reaffirms the significant role the arts play in the Connecticut economy.

### **15. Art in Public Spaces (1% for Art)**

Connecticut's Art in Public Spaces program requires that not less than 1% of the cost of construction or renovation of publicly accessible state buildings be allocated for the commission or purchase of artwork for that building. The artworks represent a wide variety of media, including sculpture, wall relief, environmental installation, painting, and photography; and range in scale from works on paper to monumental murals. The purpose of the Art in Public Spaces program is to provide citizens with an improved public environment by investing in high quality creative works for public buildings. The program adds visibility to the cultural heritage of the state and its people. In FY 2017 Before You Leap, a trio of transparent laminated glass and interactive LED system by Deanna Sirlin, was installed in three locations at Emmett O'Brien Technical High School in Ansonia, Connecticut.

### **16. Honorary Positions**

The honorary position of Connecticut's Poet Laureate was established in 1985. The Poet Laureate for 2015-2020 is Rennie McQuilkin of Simsbury, Connecticut. As the state's representative poet, Rennie McQuilkin serves as an advocate for poetry and promotes the appreciation of and participation in poetry and literary arts activities among Connecticut citizens. In FY17, he received an annual stipend in the amount of \$1,500.

The honorary position of Connecticut State Troubadour was established in 1991. The State Troubadour is an individual singer-songwriter who serves as an ambassador of music and song and promotes cultural literacy among Connecticut citizens. Connecticut's State Troubadour for 2016 - 2018 is Kate Callahan of West Hartford, Connecticut. In FY 2017, she received an annual stipend in the amount of \$2,500.

### **17. Special Project Grants**

Special Project Grants fund arts-related initiatives that align with the Connecticut Office of the Arts' READI framework . Four Special Projects Grants were awarded in FY 2017.

- Connecticut's State Troubadour, Kate Callahan, received \$3,500 for the Miracle of Melody for York Correctional Institute, a vocal enrichment program for female inmates. The goal of the program was to help incarcerated women learn musical skills and to view their voices as tools for positive personal change. The program was available to all interested

women at York and the only requirements were a willingness to make sound and a desire to learn.

- Connecticut Health I-Team of New Haven received \$2,500 to support the Summer Journalism Workshop series that introduced high school students from low-income families to a career in journalism while strengthening their writing, research and critical thinking skills.
- National Arts Strategies of Alexandria, Virginia received \$18,000 to subsidize the cost for 2 Connecticut residents to participate as Creative Community Fellows in a nine-month competitive program that supports creative entrepreneurs who are driving social and physical transformations in their communities.
- The New England Foundation for the Arts in Boston, Massachusetts, received \$9,000 to award scholarships to 90 Connecticut residents with diverse backgrounds to attend the 2017 Creative Communities Exchange (CCX), which took place June 8 & 9 in New London, Connecticut. CCX is a biennial event that gathers New England leaders who are invested or engaged in the creative economy for networking, workshops, and modeling the way to implement successful initiatives from around New England.

#### **E. Connecticut Office of Tourism**

Released in 2016, The Economic Impact of Travel in Connecticut report revealed that all business sectors of the Connecticut economy benefit from tourism activity directly and/or indirectly. The report indicated that tourism:

- Generated \$14.7 billion in business sales supported by traveler spending in Connecticut in 2015;
- Generated \$1.7 billion in tax revenues, including \$910 million in state/local and \$778 million in federal, by visitor activity in 2015; and
- Supported 82,688 jobs directly, and 121,527 jobs indirectly (jobs supported by tourism activities) in 2015.

The report can be found at:

[http://www.cultureandtourism.org/cct/lib/cct/tourism/econimpact/Conn\\_Tourism\\_Economic\\_Impact\\_-\\_CY2015\\_full\\_Web.pdf](http://www.cultureandtourism.org/cct/lib/cct/tourism/econimpact/Conn_Tourism_Economic_Impact_-_CY2015_full_Web.pdf)



In 2016, the Office of Tourism took a number of strategic steps — rooted in a year of extensive research — to ensure the tourism industry continues to grow. In doing so, it involved hundreds of tourism and industry partners from across the state, and engaged with local representatives through its new Regional Marketing Program.

With the industry’s support, in 2016 the Office of Tourism:

- Relunched the all-new CTvisit.com, now a mobile-responsive, content-marketing-optimized, statewide tourism website;
- Doubled the number of industry partners represented on CTvisit.com;
- Doubled the traffic to the website — a record-breaking 4.2 million visits;
- Increased public relations coverage by nearly 50 percent; and
- Increased social media engagement on Facebook and Instagram by 130 percent and 1,893 percent, respectively.

Also new in 2016, the Office of Tourism launched a content marketing program that helped drive interest in the state. The program, which included the development of hundreds of thought-provoking and timely articles about where to eat, stay, and play in Connecticut, drove nearly half of the web traffic to CTvisit.com.

Another key performance indicator, hotel tax revenues, was up in 2016. Revenues reached \$117.8, showing a compound annual growth rate of 3.2 percent.

Overall, the Office of Tourism maximized marketing efficiencies in 2016, and drove more website traffic, promoted more partners, and generated more hotel tax revenues in 2016 than in the previous year.

#### IV. EMPLOYMENT INDICATORS AND GROSS STATE PRODUCT (GSP)

##### A. Industry Employment

Table 57 provides the Connecticut employment by industry at the two-digit North American Industry Classification System (NAICS) code level. Health Care and Social Assistance is the largest industry in terms of annual average employment which accounted for 15.9% of total employment in 2016, followed by Government sector at 13.9% and Retail Trade industry at 11.1%.

<b>Table 57: Connecticut Employment by Industry</b>					
<b>NAICS Code</b>	<b>Industry</b>	<b>2015 Annual Average Employment</b>	<b>% of Total</b>	<b>2016 Annual Average Employment</b>	<b>% of Total</b>
62	Health care and social assistance	262,490	15.8%	264,831	15.9%
	Total government	234,430	14.1%	231,034	13.9%
44-45	Retail trade	184,699	11.1%	184,616	11.1%
31-33	Manufacturing	158,955	9.6%	156,431	9.4%
72	Accommodation and food services	124,456	7.5%	126,536	7.6%
52	Finance and insurance	108,155	6.5%	107,751	6.5%
54	Professional and technical services	95,690	5.8%	96,911	5.8%
56	Administrative and waste management	88,087	5.3%	88,351	5.3%
81	Other services, except public administration	61,686	3.7%	63,042	3.8%
42	Wholesale trade	62,511	3.8%	62,527	3.8%
23	Construction	57,913	3.5%	59,103	3.5%
61	Educational services	56,564	3.4%	56,912	3.4%
48-49	Transportation and warehousing	43,737	2.6%	44,669	2.7%
55	Management of companies and enterprises	32,888	2.0%	32,915	2.0%
51	Information	32,352	1.9%	32,336	1.9%
71	Arts, entertainment, and recreation	26,715	1.6%	27,343	1.6%
53	Real estate and rental and leasing	19,865	1.2%	20,007	1.2%
22	Utilities	5,611	0.3%	5,626	0.3%
11	Agriculture, forestry, fishing and hunting	4,891	0.3%	4,738	0.3%
21	Mining	553	0.0%	556	0.0%
99	Nonclassifiable establishments	577	0.0%	344	0.0%
	<b>Statewide Total</b>	<b>1,662,822</b>	<b>100%</b>	<b>1,666,580</b>	<b>100.0%</b>

Source: Connecticut Department of Labor, Labor Market Information, 2015 and 2016 QCEW Program Data

Note: Numbers may not total due to rounding.

## B. Unemployment Rates

Connecticut's annual average unemployment rate continued to decline from 8.8% in FY 2010 to 4.8% in FY 2017. The state's unemployment rate was one tenth percentages higher than the United States.

<b>Fiscal Year</b>	<b>CT</b>	<b>US</b>
2010	8.8%	9.8%
2011	9.1%	9.3%
2012	8.4%	8.5%
2013	8.2%	7.8%
2014	7.1%	6.8%
2015	6.1%	5.7%
2016	5.4%	5.0%
2017	4.8%	4.7%

*Source: Bureau of Labor Statistics*

## C. Gross State Product (GSP) by Industry

The Real Estate, Rental and Leasing industry accounted 14.8% of the total state economy in 2016, followed by the Finance and Insurance industry with 12.7% and Manufacturing with 10.9%. The Government and Health Care and Social Assistance sectors rounded the top five with 10.5% and 8.1%, respectively. At the U.S. level, the Real Estate, Rental and Leasing, Government and Manufacturing sectors accounted for 37.6% of the national economy in 2016.

<b>Industry</b>	<b>CT</b>	<b>% of Total</b>	<b>U.S.</b>	<b>% of Total</b>
Real estate, rental and leasing	38,510	14.8%	2,478,827	13.4%
Finance and Insurance	33,030	12.7%	1,404,928	7.6%
Manufacturing	28,273	10.9%	2,182,952	11.8%
Government	27,327	10.5%	2,286,853	12.4%
Health care and social assistance	20,925	8.1%	1,349,298	7.3%
Professional and technical services	16,997	6.5%	1,326,253	7.2%
Wholesale Trade	16,841	6.5%	1,102,642	6.0%
Retail Trade	14,269	5.5%	1,096,858	5.9%
Information	13,126	5.0%	903,994	4.9%
Construction	8,301	3.2%	792,509	4.3%
Management of companies and enterprises	7,258	2.8%	358,072	1.9%
Administrative and waste services	7,133	2.7%	567,354	3.1%
Accommodation and food services	6,019	2.3%	559,237	3.0%

<b>Table 59: 2016 GSP by Industry (millions of current \$)</b>				
<b>Industry</b>	<b>CT</b>	<b>% of Total</b>	<b>U.S.</b>	<b>% of Total</b>
Educational Services	5,307	2.0%	206,343	1.1%
Other services, except government	5,213	2.0%	415,680	2.2%
Transportation and warehousing, excluding Postal Service	4,320	1.7%	562,528	3.0%
Utilities	4,213	1.6%	287,088	1.6%
Arts, entertainment and recreation	2,242	0.9%	191,911	1.0%
Mining	343	0.1%	260,593	1.4%
Agriculture, forestry, fishing, and hunting	274	0.1%	177,580	1.0%
<b>Total</b>	<b>259,921</b>	<b>100%</b>	<b>18,511,500</b>	<b>100%</b>

*Source: U.S. Bureau of Economic Analysis, 2016 Gross Domestic Product*

## V. TAX CREDIT ANALYSIS APPENDIX

### A. Methodology for Evaluating the DECD Tax Credits

The total economic and fiscal impact of the DECD tax credits are analyzed using the REMI model for the state of Connecticut. The Connecticut REMI model is a dynamic, multi-sector, regional economic model developed and maintained for the Department of Economic and Community Development by Regional Economic Models, Inc. of Amherst, Massachusetts. The model includes the major inter-industry linkages among 466 private industries, aggregated into 67 major industrial sectors. With the addition of farming and three public sectors (state and local government, civilian federal government, and military), there are 70 sectors represented in the model for the state of Connecticut.

A company undertakes certain economic activities based on their receipt of economic assistance from DECD. This could be a renovation, expansion, or a relocation where some construction activity takes place generally followed by the creation of new jobs. The state provides the funds as defined in the contract with the firm. This economic activity by the firm is the *direct* activity that results from the state assistance. This activity however will have a ripple effect. The developer hired for the construction phase will buy materials, for example, generating sales for its suppliers. The completed space will need to be equipped with fixtures and software and office supplies, generating sales for the providers of these necessities who in turn increase their purchases from their own suppliers to meet this demand. This is the *indirect* impact of the economic activity that directly resulted from the state assistance. Once the firm hires new workers, these workers will receive new income which they will then spend, generating further sales outside of the economic activity created by their employer. This is the *induced* effect of the state assistance program. The *total* economic impact is the sum of these three effects – the direct, indirect and induced – which captures the complete ripple effect of the economic activity originally incited by the state assistance program.

When evaluating tax credits, knowing the direct incited activity is critical to obtaining a fair assessment of the total economic impact. Ideally, we would like to have information from the credit recipients themselves on what, if any, impact the credits have had on their investments decisions, and what other activity resulted from their availability. We do have this information for DECD credits: the conditions attached to the Urban and Industrial Site Reinvestment tax credits (URA) and the information they are required to provide regularly to DECD, for example, allows us to know the

direct impact of this credit. We know that film companies would not have located their productions to the state without the film tax credits, so in this case too we know the activity that resulted directly from these credits. Gathering this type of data on a regular basis is essential for the effective evaluation of these programs.

We enter the direct economic activity as inputs into the REMI model. A typical scenario will include any construction activity, fit-out costs, and professional and other services employed as part of the construction phase, and any new jobs that are created as part of the agreement. The state assistance benefit to the recipient is modeled as a reduction in its production costs. The cost to the state is modeled as reductions in state revenue due to the tax credits, and a corresponding change in state government output or spending to reflect the reduced government activity that flows from the reduction in its revenues.

All macroeconomic and fiscal results from the REMI model are presented as changes from the baseline forecast in each year the credit or exemption was in effect. The baseline reflects the state of the state economy absent any tax credit stimuli. When the direct activity reported above is entered into the model and the simulation is run, the resulting change from the baseline is the total economic activity (sum of direct, indirect and induced activity) that results from the state program.

#### **I. Urban and Industrial Site Reinvestment Tax Credit**

This tax credit may be applied for investments in eligible industrial site investment projects or eligible urban reinvestment projects. The Commissioner of DECD may register managers of funds and community development entities created to invest in eligible urban reinvestment projects and eligible industrial site investment projects. A fund manager or community development entity must have its primary place of business in Connecticut. A fund manager registered under the Insurance Reinvestment Fund Tax Credit on or before July 1, 2000, will be eligible to serve as a fund manager for purposes of this credit. No taxpayer will be eligible for this tax credit and the tax credit for manufacturing and service facilities or the insurance reinvestment fund tax credit for the same investment. No two taxpayers will be eligible for a tax credit with respect to the same investment or the same project costs. The relevant statute is CGS §32-9t.

A taxpayer making an investment may claim the credit if it is made:

- Directly and at least \$5 million in a qualified urban or industrial site project;
- Directly and at least \$50 million in a municipality approved by the Commissioner of DECD;
- Through a DECD approved fund manager with a fund that has a total asset value of at least \$60 million for the income year in which the initial credit is taken and not less than three investors who are not related persons; or
- Through a DECD approved community development entity.

The tax credit is allowable over ten years as follows:

- The income year in which the investment was made and the two succeeding income years, 0%;
- The third full income year following the year in which the investment was made and the three succeeding income years, 10%; and,
- The seventh full income year following the year in which the investment occurred and the two succeeding income years, 20%.

The tax credit may be carried forward for the five immediately succeeding income years until the full tax credit has been taken. No carryback is allowed. An assignee is entitled to carryforward any unused tax credit as provided in the statute. A taxpayer allowed an urban and industrial reinvestment tax credit (assignor) may assign the credit to another taxpayer or taxpayers (assignees). Assignees of the tax credit must claim the tax credit in the same tax year that the assignor would have been eligible to claim the credit. An assignee may not assign the credit.

This tax credit program intends to increase jobs and investment in plant and equipment in the state. Its broad scope defines investment below and may include almost any type of business expansion in or relocation to the state for businesses in any industry. Because the program includes remediation and demolition, it encourages brownfield redevelopment that is an important consideration in adaptive reuse in the state's economic development strategy. The program provides for an annual audit of each business claiming the credit to show that its project produces more state revenue than state expenditure and if not, allows the DECD commissioner to recapture a portion of the credit. In

effect, the claiming business must earn the credit each year and if it does not, DECD may reduce or eliminate the credit and levy penalties.

Investment means all amounts invested in an eligible project by or on behalf of a taxpayer whether directly, through a fund, or through a community development entity, including but not limited to equity investments made by the taxpayer and loans. ‘Project’ means the acquisition, leasing, demolition, remediation, construction, renovation, expansion or other development, or redevelopment of real property and improvements within Connecticut including furniture, fixtures, equipment, associated interest and financing costs, relocation costs, start-up costs, architectural, engineering, legal and other professional services, plans, specifications, surveys, permits and studies necessary to the project.

The Urban and Industrial Site Reinvestment Tax Credit program is capped at \$800 million in awardable credits (raised from \$650 million during the 2014 legislative session), while individual projects may not exceed \$100 million in awardable credits. If a project exceeds \$20 million in awardable tax credits, it must be approved by the legislature.

An eligible industrial site investment project means a project located in Connecticut for the development or redevelopment of real property:

- That has been subject to a spill defined in CGS §22a-452c, is an establishment defined in CGS §22a-134(3), as amended or is a facility defined in 42 USC §9601(9);
- That, if remediated, renovated, or demolished in accordance with applicable law and regulations and the standards of remediation of the Department of Environmental Protection and used for business purposes will add significant new economic activity and employment in the municipality in which the investment is to be made and will generate additional tax revenues to Connecticut;
- For which the use of the urban and industrial site reinvestment program will be necessary to attract private investment to the project;
- The business use of which would be economically viable and would generate direct and indirect economic benefits to Connecticut that exceed the amount of the investment during the period for which the tax credits are granted; and,



- That is, in the judgment of the DECD commissioner, consistent with the strategic economic development priorities of the state and the municipality.

An eligible urban reinvestment project means a project:

- That would add significant new economic activity and new jobs in a new facility in the eligible municipality in which the project is located and will generate significant additional tax revenues to the state or the municipality;
- For which the use of the urban and industrial site reinvestment program will be necessary to attract private investment to an eligible municipality;
- That is economically viable;
- For which the direct and indirect economic benefits to the state outweigh the costs of the project; and,
- That is, in the judgment of the DECD commissioner, consistent with the strategic economic development priorities of the state and the municipality.

#### Recapture Provision

No later than July 1 in each year that tax credits are claimed, the DECD Commissioner may conduct a study to estimate the state revenue generated by the eligible project in which the investment is made. If the sum of all state revenue actually generated by the project is less than the amount of the total sum of tax credits claimed on the date of the analysis, the DECD Commissioner may determine an applicable recapture amount and may revoke the certificate of eligibility. Any taxpayer that has claimed credits related to a project for which the DECD Commissioner has revoked the certificate of eligibility will be required to recapture its pro-rata share of the recapture amount, and no subsequent credit will be allowed unless the certificate of eligibility is reinstated. The amount of the credit that the taxpayer is required to recapture varies depending upon the year in which the tax credit is required to be recaptured as follows:

Year	Percentage
Year 4	90%
Year 5	65%
Year 6	50%
Year 7	30%
Year 8	20%
Years 9-10	10%

The DRS Commissioner may recapture the credit first from a taxpayer who claimed the credit, then from any taxpayer who assigned the credit and finally, from any fund through which the investment was made.

#### History of the Urban and Industrial Site Reinvestment Tax Credit

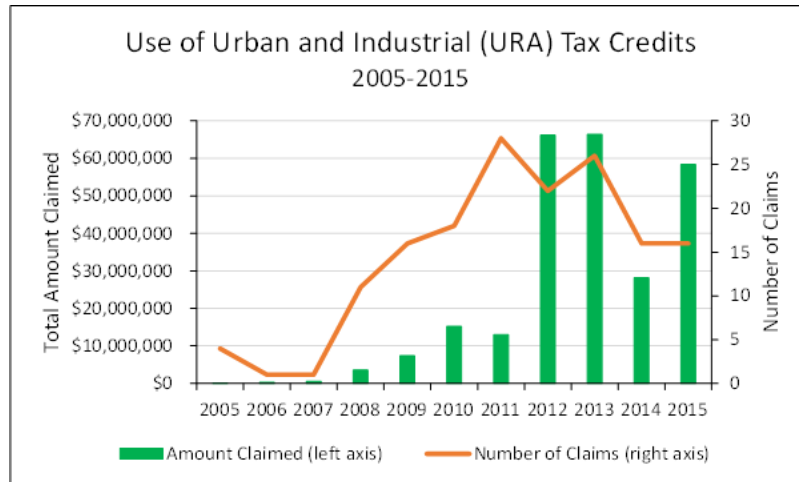
*The table below shows the recipients of Urban and Industrial Site Reinvestment tax credits, along with the total project costs, total tax credits awarded and earned (the state's tax cost) by year. The total credits awarded as presented below represent the potential credits the company may claim. Credits for which certificates were issued to companies by DECD through FY 2017 are listed under "credits earned". The total project costs listed in the table are the basis for the tax credit award but may not represent the full investment in the state if the company makes out-of-state purchases as part of the investment. Because URA is a ten-year program and companies may carry forward the credits, the total earned credits will not equal the credits claimed. The prior report did not list \$91,000,000 of tax credits awarded. It listed \$17,850,000 of credits earned for which certificates were issued after 6/30/2017. Both these errors are fixed in the table below.*

## Urban and Industrial Site Reinvestment Tax Credits through FY 2017:

Applicant	Town	Contract Calendar Year	Total Tax Credits Awarded	Total Project Cost	Total Credits Earned
Diageo North America, Inc.	Norwalk	2004	\$40,000,000	\$107,100,000	\$34,872,000
Lowe's Home Centers, Inc.	Plainfield	2004	\$20,000,000	\$80,000,000	\$15,944,575
FactSet Research Systems, Inc.	Norwalk	2005	\$7,000,000	\$36,050,000	\$6,973,970
Eppendorf Manufacturing Corporation	Enfield	2005	\$5,000,000	\$23,100,000	\$5,000,000
Greenwich Capital Markets, Inc. n/k/a RBS Securities Inc	Stamford	2006	\$100,000,000	\$345,000,000	\$100,000,000
Blue Sky Studios, Inc.	Greenwich	2008	\$18,000,000	\$65,000,000	\$5,400,000
Prudential Retirement Insurance & Annuity Co.	Hartford	2009	\$8,000,000	\$12,600,000	\$8,000,000
Comcast of Connecticut, Inc.	Enfield	2009	\$5,000,000	\$7,572,643	\$5,000,000
Aldi, Inc. (Connecticut)	South Windsor	2009	\$1,900,000	\$52,400,000	\$1,900,000
Burriss Logistics, Inc.	Rocky Hill	2009	\$2,000,000	\$56,819,000	\$1,400,000
Engineered Electric Company d/b/a DRS Fermont	Bridgeport	2009	\$10,000,000	\$15,115,000	\$4,000,000
CF Foods, LLC	New Britain	2009	\$2,000,000	\$22,008,000	\$200,000
Gen Re Corporation	Stamford	2010	\$19,500,000	\$130,000,000	\$15,600,000
Starwood Hotel & Resorts Worldwide, Inc.	Stamford	2010	\$75,000,000	\$75,000,000	\$30,000,000
Gartner, Inc.	Stamford	2010	\$20,000,000	\$27,000,000	\$16,000,000
Nestle Waters North America Inc.	Stamford	2010	\$5,000,000	\$27,800,000	\$3,000,000
Higher One, Inc.	New Haven	2011	\$18,500,000	\$45,916,463	
Eppendorf Manufacturing Corporation - Phase 2	Enfield	2011	\$10,000,000	\$17,610,300	\$6,000,000
Design Within Reach, Inc.	Stamford	2011	\$1,500,000	\$5,000,000	\$450,000
Chemtura Corporation	Middlebury	2011	\$8,000,000	\$11,734,000	\$3,200,000
CIGNA Health and Life Insurance Company	Bloomfield	2011	\$30,000,000	\$154,995,080	\$9,000,000
FactSet Research Systems, Inc. (Project 2)	Norwalk	2012	\$8,000,000	\$10,000,000	\$2,400,000
Dollar Tree Distribution, Inc.	Windsor	2012	\$20,000,000	\$104,300,000	\$4,000,000
Alexion Pharmaceuticals, Inc.	New Haven	2012	\$25,000,000	\$103,000,000	\$2,500,000
Plainfield Renewable Energy, LLC	Plainfield	2013	\$10,000,000	\$230,418,975	\$3,000,000
Massachusetts Mutual Life Insurance Company	Enfield	2013	\$13,000,000	\$30,000,000	
Frito-Lay, Inc.	Dayville	2013	\$3,000,000	\$38,000,000	\$900,000
HomeServe USA Corp.	Norwalk	2013	\$15,000,000	\$33,075,433	
Starwood Hotel & Resorts	Stamford	2014	\$20,000,000	\$30,000,000	
ESPN, Inc.	Bristol	2014	\$10,000,000	\$175,000,000	\$4,000,000
Pitney Bowes	Stamford	2014	\$10,000,000	\$25,100,000	\$1,000,000
Vineyard Vines	Stamford	2014	\$8,000,000	\$12,000,000	\$800,000
Lee Company	Westbrook	2015	\$10,000,000	\$50,000,000	\$1,000,000
XL America, Inc.	Hartford	2015	\$9,600,000	\$10,620,000	
Fed Ex	Middletown	2015	\$20,000,000	\$220,000,000	
Fuel Cell Energy, Inc.	Danbury	2015	\$10,000,000	\$45,000,000	
Praxair, Inc.	Danbury	2016	\$16,000,000	\$16,000,000	
Bridgewater Associates, LP	Westport	2016	\$30,000,000	\$527,500,000	
Conair Corporation	Stamford	2016	\$15,000,000	\$30,075,654	\$3,000,000
Bob's Discount Furniture	Manchester	2016	\$11,000,000	\$57,000,000	
First Alliance	East Hartford	2016	\$4,000,000	\$12,746,593	
Polamer Precision	New Britain	2017	\$10,000,000	\$46,000,000	
<b>Total</b>			<b>\$684,000,000</b>	<b>\$3,123,657,141</b>	<b>\$294,540,545</b>

Source: DECD

The claims trend for this tax credit is shown below. In recent years the hospitals industry has claimed the largest portion of these tax credits (\$79 million from 2005-2014), followed by the insurance industry (\$26 million over the same period).



Source: DRS

### Methodology for Modeling the Urban and Industrial Site Reinvestment Tax Credit

Because DECD performs an annual audit as required by statute of each claiming firm’s Connecticut project, we present the net, aggregate economic impact of the recipient companies along with claims for the URA tax credits through 2016 obtained from DRS. We use actual company data from the DECD audits to model their activity. DECD has not audited firms whose first credit has not yet come due, so they are not included in the analysis; these firms will be added to future analyses as they earn the credits. Firms may not claim credits in the years in which they are eligible for several reasons (carryforward, carryback, assignment or they do not provide audit information in a timely manner). Further, the DECD audit may reduce a firm’s claim for not meeting its job creation commitment. Companies are dropped from the URA analysis after their participation in the program is complete; the results below therefore do not account for their continuing activities in the state.

Projects typically consist of a construction and/or renovation phase in which a site is secured and a new facility is built. For an existing site, the firm typically undertakes an expansion and/or renovation of its current facilities. The construction phase usually includes some of the following expenditures for architectural and engineering services, building construction and/or leasehold improvements to an existing structure and site improvements consisting of access roads, parking lots, utility hookups, as well as the installation of furniture, fixtures and equipment. To the extent the firm purchases these goods and services in Connecticut, the purchases provide part of the economic and fiscal impact of the project. If there is a real estate purchase, there are conveyance taxes paid to

the state and the town in which the firm locates or expands. Real estate brokers receive a fee as well for their services in a real estate transaction. There may be permit fees related to construction and/or renovation paid to the town as well.

We assume the firm purchases office furniture and equipment, computer hardware and software wholesale or through dealers in Connecticut unless otherwise indicated. We increase the state's stock of non-residential capital by the dollar amount of construction. The increase in the state's stock of non-residential capital approximates the additions to the Grand List of the municipality in which the project occurs. Total project costs typically exceed the value of the increase in the non-residential capital stock because project costs may include working capital, relocation costs, architectural and engineering, legal, financial and other services that do not increase the value of the state's capital stock. If these costs represent purchases from Connecticut businesses, they create economic and fiscal impact for the state.

When new, renovated or expanded facilities are ready for occupancy, the firm typically relocates some workers and hires others and the firm's employment ramps up according to plan. We assume that as firms hire new workers, they compete with other firms for the same labor and some of the firm's new hires leave their current positions in Connecticut firms and therefore do not represent net new jobs to the state (this is job displacement). Depending on where the firm's workers live and their average compensation (wages plus non-wage fringe benefits) relative to the average compensation of the Connecticut industry in which the firm is situated, we adjust the economic model to account for these effects (for example, we do a residence adjustment to account for the workers who live outside Connecticut and therefore spend most of their money out-of-state). The cost to the state is the forgone tax revenue equal to the credit claimed. We assume taxes are not increased to make up the lost revenue from the credit claims; there is a corresponding decrease in government output or spending equivalent to the foregone tax revenue. We assume the claiming firm's production costs declines by an amount equivalent to the tax credit claimed.

### Net Economic Impact of the Urban and Industrial Site Reinvestment Tax Credit

*All credits earned for which the relevant economic activity occurred through calendar year 2016 are included in the economic modeling, even if the certificate was issued after FY 2017, to better align the associated economic activity with the tax credit in the modeling process. As a result the total credits modeled (and shown in the table below) exceed those in the above table by \$3,600,000 (certificates for these credits were issued from 09/2017 to 01/2018). The economic impact analysis in the earlier report did not include two companies that had left the program but had been issued credits, plus three companies whose final year's credit had been excluded. This analysis includes all of those missing companies and credits.*

The table below shows the cumulative changes of certain economic variables with respect to the baseline or status quo forecast of the state economy due to the recipient firms' combined projects. These projects have produced more state revenue than they cost (which includes the amounts of credits claimed). Over the period during which this program has been in effect, the state has earned fiscal revenues totaling over \$909 million, which more than offsets the totals \$298 million credits that have been claimed so far. The state earns \$3.05 of gross revenue for each dollar of credits issued.

### Recommendation:

We recommend maintaining the URA tax credit program as is because it has generated sizable net benefits. Moreover, qualifying firms must be audited each year and may incur penalties and/or reduced tax credits if they do not meet job or net benefit requirements. This allows DECD to closely monitor the program, track the economic activities and benefits associated with the program, and only provide tax benefits for value created.

## URA Tax Credit Economic Impact Results

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Annual Average	Revenue earned per \$1 of credit
<b>URA Tax Credits</b>																
Total Credits Earned															\$21,295,753	
<b>Changes in:</b>																
Total Employment	2,356	3,040	5,085	4,551	6,618	12,098	12,335	12,964	12,702	15,150	17,793	18,001	20,035	16,816	11,396	
Total Private Non-Farm Employment	2,292	2,925	4,971	4,415	6,610	11,961	12,122	12,621	12,463	14,840	17,422	17,204	19,239	16,071	11,083	
GDP	\$221,730,144	\$288,775,371	\$449,120,286	\$419,211,527	\$614,139,686	\$1,219,877,363	\$1,252,598,234	\$1,578,042,068	\$1,620,731,720	\$2,051,978,165	\$2,356,378,878	\$2,712,641,730	\$3,108,601,734	\$2,837,668,365	\$1,480,821,091	
State Revenues	\$17,806,698	\$19,260,927	\$24,279,766	\$23,634,239	\$24,934,041	\$62,824,224	\$60,254,847	\$72,800,265	\$62,538,627	\$76,217,869	\$87,456,777	\$123,150,758	\$137,856,662	\$116,315,421	\$64,952,223	\$3.05
State Expenditures	\$2,729,852	\$4,925,293	\$4,614,798	\$5,820,083	-\$2,180,027	\$4,244,700	\$8,055,023	\$14,536,433	\$6,783,478	\$8,862,040	\$10,478,677	\$37,049,417	\$36,645,511	\$33,849,730	\$12,601,072	
Net State Revenue	\$15,076,846	\$14,335,635	\$19,664,968	\$17,814,157	\$27,114,068	\$58,579,525	\$52,199,824	\$58,263,833	\$55,755,149	\$67,355,829	\$76,978,100	\$86,101,342	\$101,211,152	\$82,465,690	\$52,351,151	

## **2. Film & Digital Media Production Tax Credit**

The Commission on Culture and Tourism (CCT) administered this tax credit program before the legislature transferred administrative responsibility to DECD in 2009. The relevant statutes for this analysis are CGS §12-217jj amended by 2007 PA 236, §1; 2007 PA 4, §§69, 70 (June Spec. Sess.) and 2007 PA 5, §13 (June Spec. Sess.). An eligible production company that produces a qualified production and incurs qualified production expenses or costs in excess of \$100,000 may apply for a tax credit equal to 10% to 30% of production expenses and costs incurred in Connecticut. This credit may be applied against the taxes imposed under Chapter 207 and Chapter 208 of the Connecticut General Statutes. This tax credit may be assigned to another Connecticut taxpayer. Expenses claimed for the film and digital media production tax credit may not be used in claiming either the digital animation tax credit or the infrastructure tax credit (see below). This tax credit intends to attract more film, television, and digital media productions to the state than if the credit did not exist.

### Definitions

‘Eligible production company’ means a corporation, partnership, limited liability company, or other business entity that is engaged in the business of producing qualified productions on a one-time or ongoing basis, and is qualified by the Secretary of the State to engage in business in the state.

‘Qualified production’ means entertainment content created in whole or in part within the state, including motion pictures; documentaries; long-form, specials, mini-series, series, sound recordings, videos and music videos, and interstitials television programming; interactive television; interactive games; video games; commercials; infomercials; any format of digital media, including an interactive website, created for distribution or exhibition to the general public; and any trailer, pilot, video teaser, or demo created primarily to stimulate the sale, marketing, promotion, or exploitation of future investment in either a product or a qualified production via any means and media in any digital media format, film, or videotape, provided such program meets all the underlying criteria of a qualified production.



‘Production expenses and costs’ means those qualifying expenditures that are clearly and demonstrably incurred in the state in the development, preproduction, production, or post production cost of a qualified production, provided that: 1) on or after January 1, 2009, 50% of such expenses or costs shall be counted toward such credit when incurred outside the state and used within the state, and 100% of such expenses or costs shall be counted toward such credit when incurred within the state and used within the state, and 2) on or after January 1, 2010, no expenses or costs incurred outside the state and used within the state shall be eligible for a credit, and 100% of such expenses or costs shall be counted toward such credit when incurred within the state and used within the state.

As of July 1, 2013, motion pictures are no longer a “qualified production” with the exception of any motion picture for which twenty-five per cent or more of the principal photography shooting days are at a facility that receives not less than twenty-five million dollars in private investment and opens for business on or after July 1, 2013.

#### Tax Credit Voucher

DECD requires that an independent audit by a Connecticut licensed, DECD approved Certified Public Accountant accompany applications for final tax credit vouchers. DECD will enter the amount of the production company’s credit on such voucher.

#### Methodology and Modeling Strategy for the Film & Digital Media Production Tax Credit

The economic and fiscal impact analysis uses itemized amounts from tax credit applications to quantify the direct economic effects of film production in Connecticut. The direct impact measures the goods and services purchased from the Connecticut economy by production companies and their staffs. The indirect impact captures the ripple (multiplier) effect of this primary demand and describes the subsequent rounds of business-to-business spending as one company expands its business and buys more goods and services from its supply chain. From these additional (ripple) sales, Connecticut firms experience increased revenues and workers have more income to spend as well. This secondary effect increases the volume of goods and services sold in Connecticut.

This analysis assumes the expenditure of productions applying for the film and digital media tax credit represents ‘net new’ spending in the state (it does not displace existing spending but exclusively adds to spending in the state). That is, we assume these productions would not have located in Connecticut absent the tax credit. The film industry is highly mobile and able to relocate production easily. That these productions located in Connecticut *and* applied for the credit suggests that Connecticut’s film tax credit influenced their decision to locate production in the state. Productions that occurred in Connecticut during this time period but did not apply for the film and digital media tax credit are excluded because this report assumes their work took place in Connecticut irrespective of the film and digital media production tax credit.

We exclude salary and fringe payments to above-the-line (ATL) producers, executive producers, directors, principal cast and supporting cast from the analysis because we assume that ATL workers do not spend their Connecticut earnings in the state although these earnings are taxed. Although a few major motion picture stars, producers and directors call Connecticut home, most ‘talent’ earns its wage here and returns to another state to spend income earned in Connecticut. Therefore, including such income in the model as if it were entirely spent in the state would overstate the impact of Connecticut’s film production tax credit. We exclude payments to all other payroll recipients as well because we do not know how much was paid to whom or where they lived. For example, extras typically earn \$100 a day and may live in Connecticut or not. All people compensated for their work on the production file a W-4 form and pay personal income tax to Connecticut no matter where they live, and we include these state revenues in our analysis.

As mentioned, we do not model payroll in this study. Some BTL workers cash their paychecks and spend locally (above their per diem earnings) but we do not include such expenditure as we have no data or information about how much BTL workers spend of their pay beyond their per diem allotments. Per diem payments for some ATL workers are included in their salary and we do not see these per diem payments separately. This renders the economic and fiscal impact results conservative as it underestimates the actual spending impact of ATL and BTL workers.

In some instances, employees travel to Connecticut to work. While in Connecticut, they stay in hotels, eat meals, shop and travel and we assume they behave as tourists. Film production budgets include allowances for such expenses. For instance, meals or ‘craft services’ are typically provided on set. When shooting continues through meals, workers receive meal-offset payments (supplemental income). Transportation to and from the state and to and from the set is typically provided by the production for out-of-state workers. Some productions specify per diem payments as a catchall for non-accommodation expenditures.

We assume that workers receiving per diem payments spend like in-state tourists (day-trippers). We model day-tripper expenditures based on data from the North Carolina Division of Tourism, Film and Sports Development.<sup>10</sup> The per diem amounts modeled in the study are for BTL workers (ATL workers’ per diem is typically incorporated into their pay). The spending categories defined in the North Carolina study are grouped into REMI spending categories in the manner shown in the table below.

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<sup>10</sup> 2012 North Carolina Visitor Profile, North Carolina Department of Commerce, April 2013. See <https://www.nccommerce.com/Portals/8/Documents/Research/Visitation/2012%20North%20Carolina%20Visitor%20Profile.pdf>.

<b>REMI Spending Category (Industry sector)</b>	<b>Visitor spending as a share of total</b>
Retail	56%
Food services & drinking places	25%
Rental & leasing services	10%
Amusement, gambling & recreation	3%
Museums, historical sites, zoos & parks	6%
<b>Total</b>	<b>100%</b>

We assume independent contractors are Connecticut residents and their income is modeled as an increase in household consumption expenditure in the state. We model permit and other fee costs as payments to municipalities. Production companies pay some fees to the state, but these are relatively small and cannot be separated from the total fees paid.

From expenditure data derived from production company applications, we translate expenditure categories (purchases of goods and services) into 70 REMI industry sectors using the North American Industry Classification System (NAICS). In most instances, accounting descriptions made translation categories apparent. Examples of expenditure types include lodging, food and drink, set construction, editing equipment rentals and film stock.

DRS provided the film and digital media production tax credit claim amounts for industries filing claims in 2007 through 2014. Claim data for 2015 was preliminary and not complete so was not included in this study. According to DRS data, the insurance industry claimed most of the film and digital media production tax credits in 2011, 2012, 2013 and 2014. Tax credits awarded by DECD in 2012, 2013 and 2014 exceeded claimed by DRS for these years likely because of carry forwards. We model the credits as a reduction in production costs for the claiming industries. We reduce state

government output each year by the amount of the credit to reflect the lost revenues as we assume the legislature does not increase taxes or borrowing to offset the tax cost of the credits claimed.

The table below shows the number of productions, jobs, payroll, per diem payments and production expenditures for feature film productions reported to DECD from July 1, 2006 through December 31, 2014. Jobs reported include each person receiving pay including extras. These reported jobs do not drive economic impact because they are not permanent, full-time jobs. Qualified Connecticut vendor spending spend includes qualified purchases of goods and services from the Connecticut economy and is the primary driver of economic and fiscal impact. Note that prior to 2010, some spending accruing to vendors outside Connecticut qualified for the tax credit.

**Jobs, Payroll, Per Diem Payments and CT Vendor Spending of Feature Film Productions in Connecticut, 2006-2014**

Feature Films					
Year	Number of Productions	Jobs	Payroll	Per Diem	Qualified CT Vendor Spending
2006	2	1,602	\$12,606,330	\$171,101	\$7,554,569
2007	18	5,793	\$136,773,529	\$1,993,945	\$23,759,298
2008	17	4,551	\$78,740,803	\$1,541,339	\$21,664,703
2009	9	548	\$5,576,943	\$104,008	\$5,450,105
2010	6	996	\$12,153,766	\$193,005	\$5,891,526
2011	13	2,225	\$95,747,661	\$1,157,376	\$33,301,079
2012	9	1,232	\$10,556,481	\$59,267	\$15,187,990
2013	3	1,255	\$14,178,525	\$0	\$1,889,381
2014	1	19	\$16,909	\$0	\$0

The tables below shows the number of productions, jobs, payroll, per diem payments and production expenditures for television productions, and the same for documentaries, commercials, websites and various other digital media productions reported to DECD from 2006 through 2014. As above, jobs reported include each person receiving pay including extras. Per the above, the reported jobs in these tables do not drive economic impact because they are not permanent, full-time jobs due exclusively to the film production tax credit. In line with industry norms, these productions use part-time labor as

needs arise. In addition, we cannot separate (and do not model) full-time, permanent jobs at World Wrestling Entertainment, Inc. and ESPN due exclusively to the film production tax credit from those that existed before the program was created in 2006. Qualified Connecticut vendor spending includes qualified purchases of goods and services from the Connecticut economy and is the primary driver of economic and fiscal impact. Note that prior to 2010, some spending accruing to vendors outside Connecticut qualified for the tax credit. Many of the blank cells under payroll occur because the production used independent contractors and these we categorize as the purchase of labor services. Independent contractors pay personal income taxes but we cannot estimate these taxes from the data provided.

**Jobs, Payroll, Per Diem Payments and CT Vendor Spending of Television Productions in Connecticut, 2006-2014**

<b>Television (Includes Television Film)</b>					
<b>Year</b>	<b>Number of Productions</b>	<b>Jobs</b>	<b>Payroll</b>	<b>Per Diem</b>	<b>Qualified CT Vendor Spending</b>
2006	3	1,675	\$12,953,646	\$531,387	\$3,340,729
2007	8	63	\$627,069	\$0	\$2,332,028
2008	19	816	\$32,729,305	\$227,773	\$9,434,068
2009	17	1,259	\$62,314,194	\$304,076	\$30,258,819
2010	11	1,811	\$42,588,339	\$26,580	\$23,069,197
2011	19	3,750	\$142,228,667	\$279,564	\$68,724,156
2012	11	2,090	\$102,675,415	\$112,604	\$23,975,872
2013	12	1,258	\$91,611,149	\$39,731	\$26,340,087
2014	8	771	\$38,821,899	\$16,235	\$8,052,932

**Jobs, Payroll, Per Diem Payments and CT Vendor Spending of Documentaries, Commercials/Infomercials and Other Productions in Connecticut, 2006-2014**

<b>Documentaries</b>					
2006	0	0	\$0	\$0	\$0
2007	1	0	\$0	\$0	\$352,459
2008	3	16	\$212,690	\$0	\$915,664
2009	1	14	\$190,525	\$1,800	\$207,976
2010	1	14	\$538,875	\$0	\$472,394
2011	4	20	\$562,680	\$0	\$1,980,324
2012	2	13	\$433,515	\$0	\$0
2013	1	21	\$539,365	\$0	\$0
2014	1	34	\$870,531	\$0	\$439,351
<b>Commercials/Infomercials</b>					
2006	2	15	\$98,498	\$0	\$25,189
2007	1	0	\$0	\$0	\$168,462
2008	5	151	\$965,613	\$7,367	\$791,689
2009	5	74	\$344,052	\$1,650	\$425,191
2010	1	7	\$189,554	\$0	\$90,301
2011	2	14	\$185,276	\$0	\$43,423
2012	1	6	\$182,440	\$0	\$43,423
2013	4	455	\$3,142,993	\$0	\$2,764,723
2014	3	49	\$2,562,211	\$0	\$4,677,585
<b>Websites</b>					
2007	0	0	\$0	\$0	\$0
2008	2	200	\$8,161,894	\$0	\$745,793
2009	5	269	\$23,849,716	\$0	\$2,189,666
2010	5	299	\$26,844,115	\$0	\$2,438,719
2011	12	764	\$74,287,760	\$0	\$8,755,492
2012	6	486	\$36,947,945	\$0	\$3,436,954
2013	6	451	\$40,222,914	\$0	\$6,241,526
2014	7	666	\$46,116,061	\$0	\$882,120
<b>Video Games</b>					
2009	3	44	\$731,057	\$0	\$251,142
2010	2	21	\$1,766,396	\$0	\$179,268
2011	4	44	\$2,615,524	\$0	\$157,015
2012	1	17	\$587,941	\$0	\$141,845
2013	2	122	\$3,113,307	\$0	\$0
2014	1	14	\$1,206,125	\$0	\$30,228,769
<b>Digital Media*</b>					
2006	0	0	\$0	\$0	\$0
2007	3	45	\$1,451,486	\$0	\$393,935
2008	8	90	\$4,720,225	\$0	\$1,942,576
2009	0	0	\$0	\$0	\$0
2010	1	4	\$643,905	\$0	\$236,327
2011	4	84	\$1,942,535	\$0	\$152,254
2012	3	9	\$805,725	\$0	\$3,016,810
2013	10	1,798	\$31,347,980	\$0	\$5,276,390
2014	7	583	\$34,351,331	\$0	\$7,106,570

\*Video Games and Websites from 2006-2009 may be included in this category

### Economic and Fiscal Impact Results for the Film Production Tax Credit

The table below shows the microsimulation results for the film production tax credit. The annual average total claims over the 2006-2014 period was \$55,271,292 suggesting that the average ‘qualifying’ value of film, television and digital media production in the state was \$184,237,641 per year, or \$1,658,138,768 in total for the period for such productions applying to DECD for the 30% credit. These results derive from direct spending by productions in a variety of categories, from spending per diem payments as tourists would and from increased household consumption due to payments to independent contractors. We do not take payroll into account because we assume most of it is removed from the state. The modeling does account for the tax paid on payroll as increased state revenue and spending because each person earning a paycheck pays personal income tax to Connecticut.

Recall that some per diem payments for high-paid talent are included in their pay and some lower-paid workers cash their paychecks and spend more than their per diem allotments. These considerations underestimate tourist-like spending in the state.

Interpreting the results in the table below suggests that while there are gains in jobs, the additional revenues gained by the public sector do not compensate for the loss in state tax revenue due to the credits.



## Economic and Fiscal Impacts of the Film Production Tax Credit, 2006-2014

Film Production Tax Credit	2006	2007	2008	2009	2010	2011	2012	2013	2014	Annual Average	Revenue earned per \$1 of credit
Total Claims	\$0	\$54,132,334	\$79,493,273	\$35,477,697	\$39,319,674	\$68,902,554	\$52,025,553	\$42,908,765	\$69,910,488	\$55,271,292	
Total Payroll	\$25,658,474	\$138,852,084	\$125,530,530	\$93,006,487	\$84,724,950	\$170,671,484	\$151,433,919	\$183,236,143	\$123,945,067	\$121,895,460	
Total CT Vendor Spend	\$7,554,569	\$28,723,454	\$33,787,336	\$37,299,750	\$31,073,952	\$65,743,916	\$42,760,606	\$48,643,954	\$50,741,752	\$38,481,032	
Payroll + Spend	\$33,213,043	\$167,575,538	\$159,317,866	\$130,306,237	\$115,798,902	\$236,415,400	\$194,194,525	\$231,880,097	\$174,686,819	\$160,376,492	
<b>Changes in:</b>											
Total Employment	119	833	991	987	746	2,113	1,508	2,158	1,665	1,236	
Total Private Non-Farm Employment	112	801	944	938	698	2,010	1,398	2,008	1,519	1,159	
GDP	\$12,242,017	\$44,334,952	\$62,082,487	\$90,985,806	\$77,549,210	\$270,324,731	\$251,005,703	\$424,969,410	\$349,500,400	\$175,888,302	
State Revenues	\$541,964	-\$50,544,819	-\$74,978,300	-\$30,426,265	-\$35,055,227	-\$56,993,081	-\$41,469,524	-\$27,079,462	-\$57,090,677	-\$41,455,043	-\$0.84
State Expenditures	\$151,318	\$992,909	\$1,740,234	\$2,272,921	\$2,408,273	\$4,657,637	\$5,297,521	\$7,221,873	\$7,371,773	\$3,568,273	
Net State Revenue	\$390,646	-\$51,537,728	-\$76,718,534	-\$32,699,185	-\$37,463,500	-\$61,650,718	-\$46,767,046	-\$34,301,334	-\$64,462,450	-\$45,023,317	

Source: DECD

### Recommendation

Because we have omitted certain spending (ATL per diem) as described above, the reported results are conservative. Other benefits to the state are not captured in the results. For example, the three film tax credit programs stimulated investment in educational programs at both the state's community and private colleges to build the workforce required to support the film, television and digital animation industries. The State of Connecticut, in partnership with the DECD Office of Film, Television, and Digital Media (OFTDM), offered the Film Industry Training Program (FITP), the first of its kind in Connecticut for five years culminating in 2012. Beginning in 2015, again through the OFTDM, the state partnered with the University of Connecticut's School of Digital Media and Design to provide a digital media training program (DMCT). The state's investment in these programs to date has been approximately \$1.4 million.

FITP classes were taught by motion picture professionals, providing students with the unique and valuable opportunity to build relationships with accomplished professionals in the field. All instructors had significant career experience and continue to be active members of the motion picture trade union related to the skills they taught, specifically the International Alliance of Theatrical Stage Employees (IATSE) and the Directors' Guild of America (DGA).

Initially, the FITP was hosted in three separate locations by Quinnipiac University, Middlesex Community College and Norwalk Community College, respectively. Due to reductions of funding in 2009, the FITP was offered at Quinnipiac University and Middlesex College, followed by Quinnipiac remaining the sole administrator in the subsequent years until its termination. A total of 503 graduates completed the Program to date. In its third year, the DMCT is being offered exclusively at UConn's Stamford campus. The DMCT focuses on developing digital media skill sets and providing a pipeline of qualified candidates to the state's employers in this sector.

By establishing a skilled in-state film workforce, the Film Industry Training Program provided an additional incentive for producers to select Connecticut as a location for film and television. The state's strengthened production infrastructure supported and continues to support a range of projects, further encouraging companies to carry out long-term productions in Connecticut. With the replacement of the FITP with the DMCT and its focus on promoting digital media careers and connecting existing talent to jobs, the state mirrors its tax credit program modifications to emphasize

the technology-based digital media over the more nomadic film industry and recognizes the need to meet the demand created for digital media jobs with an appropriately skilled Connecticut workforce. In addition to the investments described above, there have been related investments in restoring buildings and lodging establishments and there has been new business for the travel industry and accounting firms, among others.<sup>11</sup> Further, since the film tax credit program was established in 2006, an industry facilitating the market for assigning credits has expanded.<sup>12</sup> We do not know how many jobs this industry supports or what their contribution to the state's gross domestic product is. Nevertheless, these related investments and an expanded industry of which we do not account in the analysis above render the results conservative.

As this program has changed each year since its inception, the benefit to the state has changed as well. Prospective production companies take time to assess their advantage by locating activities in Connecticut. If they are convinced the program is stable and witness growth of the industry and a supportive workforce in the state, they will increasingly list Connecticut among the most competitive states for film, television and digital media production. For example, Blue Sky Studios, a division of Fox, brought an annual average of well over 500 jobs. Three NBCUniversal talk shows (Jerry Springer, The Maury Show and Steve Wilkos) relocated to Connecticut, bringing 350 jobs, as did NBC Sports Group, currently creating an additional 600. Recently ESPN celebrated the opening of a new state-of-the art Digital Center 2 building on their campus which not only increased the company's digital capabilities, but will also result in the creation of at least 200 jobs in the state over the next three years.

Warner Bros Entertainment's "People's Court" is currently competing their 5th year in production with plans to continue. These productions and operations establish ongoing concerns for the long term, create jobs and make economic and sector-building contributions that serve to catalyze the growth of a new industry and diversify the state's economy and provide new sources of fiscal revenue.

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<sup>11</sup> Testimonials available on request.

<sup>12</sup> The market for tax credits predates the film tax credit programs because other credits are assignable. This secondary industry likely expanded as the film tax credits began to be traded.

### **3. Film Production Infrastructure Tax Credit**

A tax credit is available to a taxpayer that invests in a state-certified entertainment infrastructure project. The Commission on Culture and Tourism (CCT) administered this tax credit program before the legislature transferred administrative responsibility to DECD in 2009. An entity interested in obtaining this tax credit must apply to DECD. This tax credit may be applied against taxes imposed under Chapter 207 and Chapter 208 of the Connecticut General Statutes. For state-certified projects costing \$3 million or more, each taxpayer may be allowed a tax credit equal to 20% of the investment of the taxpayer.

After the initial issuance of a tax credit voucher, such credit may be sold, assigned, or otherwise transferred, in whole or in part, to one or more taxpayers, provided no credit, after issuance, may be sold, assigned, or otherwise transferred, in whole or in part, more than three times. In the event of an assignment, the transferor and the transferee shall jointly submit written notice of such transfer to DECD no later than 30 days after such transfer. The notification after each transfer includes the credit voucher number, the date of transfer, the amount of such credit transferred, the tax credit balance before and after the transfer, the tax identification numbers for both the transferor and transferee and other information DECD may require. A taxpayer holding a credit voucher must claim the credit for the income year in which expenditures were made by the taxpayer for the infrastructure project.

A tax credit not used in the income year in which it is claimed may be carried forward for three succeeding income years. No carryback is allowed. An assignee of the infrastructure tax credit is allowed to carryforward any unused tax credit as provided in the statute.

The credit intends to help establish a film and digital animation industry presence in Connecticut by incentivizing capital investment in plant and equipment for pre- and post-production facilities and investment in educational programs that produce the workforce needed by the film and digital animation industry.

### Definitions

‘Infrastructure project’ means a capital project to provide basic buildings, facilities, or installations needed for the functioning of the digital media and motion picture industry in this state.

‘State-certified project’ means an infrastructure project undertaken in this state by an entity that (A) is in compliance with the adopted regulations, (B) is authorized to conduct business in this state, (C) is not in default on a loan made by the state or a loan guaranteed by the state, nor has ever declared bankruptcy under which an obligation of the entity to pay or repay public funds was discharged as a part of such bankruptcy, and (D) has been approved by DECD as qualifying for the Infrastructure Project Tax Credit.

‘Eligible expenditures’ includes all expenditures for a capital project to provide buildings, facilities, or installations, whether leased or purchased, together with necessary equipment for a film, video, television, digital production facility or digital animation production facility; project development, including design, professional consulting fees and transaction costs; development, preproduction, production, postproduction and distribution equipment and system access and fixtures and other equipment.

### Methodology and Modeling Strategy for the Film Production Infrastructure Tax Credit

Using data from the DECD Film Office of the breakdown of infrastructure expenditures that were eligible for the infrastructure tax credit, we model the construction and related activities associated with the credit. We calculate real estate broker fees (6% of the purchase amount), state conveyance taxes (1% of the purchase amount), and local conveyance taxes (0.25% of the purchase amount) based on the value of eligible land and building purchases. We model construction expenses (building rehabilitation and renovations) incurred by the companies as construction of new commercial and institutional buildings. We model other eligible expenditure (furniture, fixtures and equipment, and architectural services, for example) as net new industry sales in the relevant sectors. We increase the non-residential capital stock in the state by the value of construction. The claiming industries are classified by NAICS code and their production costs are reduced by the amount of the tax credit.

State government output is reduced by the amount of the tax credit to reflect the loss in tax revenues.

The table below shows the amounts issued to firms for the film production infrastructure tax credit.

**Film Production Infrastructure Tax Credit Expenditure and Credits Issued through FY 2017**

Applicant	NAICS	CT Expenditures	Date Issued	Amount of Tax Credit
Blue Sky Studios	512	\$17,940,989	6/8/2009	\$3,588,198
World Wrestling Entertainment	711	\$25,313,556	2/1/2010	\$5,062,711
Ely	531	\$6,723,934	2/10/2010	\$1,344,787
Brand Gallery	541	\$193,604	2/19/2010	\$29,041
CFC Stillwater	531	\$11,236,612	6/17/2010	\$2,247,322
ESPN	515	\$33,426,976	9/22/2011	\$6,685,395
Blue Sky Studios	512	\$7,803,086	3/6/2012	\$1,570,618
Brand Gallery	541	\$3,298,184	5/2/2012	\$659,637
Brand Gallery	541	\$385,634	3/28/2013	\$77,127
ESPN, Inc. DC-2 Phase 1	515	\$72,153,302	9/12/2013	\$14,430,660
CFC Exit 9, LLC	531	\$14,287,426	12/27/2013	\$2,857,485
NBC Universal Media, LLC	515	\$117,727,906	12/27/2013	\$23,545,581
World Wrestling Entertainment, Inc.	711	\$5,043,689	2/7/2014	\$1,008,738
World Wrestling Entertainment, Inc.	711	\$12,865,135	2/7/2014	\$2,573,027
Back9Network, Inc.	515	\$6,127,395	5/5/2014	\$1,225,479
ESPN, Inc. DC-2 Phase 2	515	\$60,693,387	10/7/2014	\$12,138,677
Blue Sky Studios	512	\$11,194,497	12/22/2014	\$2,238,899
CFC Stillwater, LLC	531	\$3,973,709	2/17/2015	\$794,742
CT Public Broadcasting, Inc.	515	\$4,708,965	3/17/2015	\$941,793
ESPN, Inc. DC-2 Phase 3	515	\$69,690,312	12/18/2015	\$13,938,062
NBC Universal Media, LLC	515	\$32,822,618	2/11/2016	\$6,564,524
ESPN, Inc.	515	\$4,004,808	5/4/2016	\$800,962
		<b>\$521,615,724</b>		<b>\$104,323,465</b>

Source: DECD

The total amount of credits issued through FY2017 exceed \$104 million. Construction and related spending began in 2007 and totaled over \$521 million through FY2017.

The table below shows the microsimulation results for the film production infrastructure tax credit. *Due to a lag in the industry-level claims data that is supplied to DECD by DRS, the last year for which data is available for the economic modeling of these credits is 2014.* Interpreting the results suggests that while there are gains in jobs, the additional revenues gained by the public sector do not compensate for the loss in state tax revenue due to the credits.

## Economic and Fiscal Impacts of the Film Production Infrastructure Tax Credit, 2007-2014

Film Production Infrastructure Tax Credit	2007	2008	2009	2010	2011	2012	2013	2014	Annual Average	Revenue earned per \$1 of credit
Total Claims	\$0	\$1,596,788	\$5,367,119	\$6,057,425	\$2,045,658	\$6,947,364	\$29,232,227	\$27,050,019	\$11,185,229	
<b>Changes in:</b>										
Total Employment	6	124	258	341	124	2,097	774	391	514	
Total Private Non-Farm Employment	5	121	251	330	116	2,052	735	363	497	
GDP	\$652,574	\$10,721,559	\$19,217,803	\$26,572,469	\$9,880,472	\$203,153,985	\$62,952,193	\$28,409,644	\$45,195,087	
State Revenues	\$29,368	-\$983,327	-\$4,183,532	-\$4,448,122	-\$1,431,642	\$4,257,087	-\$24,940,369	-\$24,576,749	-\$7,034,661	-\$0.72
State Expenditures	\$59,745	\$149,187	\$353,684	\$581,267	\$515,615	\$2,844,025	\$2,499,357	\$2,107,786	\$1,138,833	
Net State Revenue	-\$30,377	-\$1,132,514	-\$4,537,216	-\$5,029,389	-\$1,947,257	\$1,413,062	-\$27,439,726	-\$26,684,535	-\$8,173,494	

Source: DECD



#### **4. Digital Animation Tax Credit**

A Digital Animation Tax Credit is available to state-certified digital animation production companies that engage in digital animation production activities on an ongoing basis. The Commission on Culture and Tourism (CCT) administered this tax credit program before the legislature transferred administrative responsibility to DECD in 2009. The relevant statutes are CGS §12-217ll and 2007 PA 236, §3 amended by 2007 PA 4, §71 (June Spec. Sess.). This tax credit may be applied to taxes imposed under Chapters 207 and 208 of the Connecticut General Statutes. A digital animation production company receiving a digital animation tax credit is not be eligible for and cannot receive the film production tax credit. For income years beginning on or after January 1, 2007, a state-certified animation production company incurring production expenses or costs in excess of \$50,000 shall be eligible for a tax credit equal to 30% of such production expenses or costs. For income years beginning on or after January 1, 2010, digital animation production companies incurring production expenses or costs between \$100,000 and \$500,000 are eligible for a 10% credit, between \$500,000 and \$1 million are eligible for a 15% credit, and over \$1 million continue to be eligible for a 30% credit.

The credit intends to help establish a digital animation industry presence in Connecticut by incentivizing increased employment and capital investment in plant and equipment for digital animation facilities.

#### **Definitions**

‘Digital animation production company’ means a corporation, partnership, limited liability company, or other business entity that is engaged exclusively in digital animation production activity on an ongoing basis, and that is qualified by the Secretary of the State to engage in business in the state.

‘State-certified digital animation production company’ means a digital animation production company that: (A) maintains studio facilities located within the state at which digital animation production activities are conducted, (B) employs at least two hundred full-time employees within the state, (C) is in compliance with regulations adopted, and (D) has been certified by DECD.

‘Digital animation production activity’ means the creation, development, and production of computer-generated animation content for distribution or exhibition to the public.

‘Full-time employee’ means an employee required to work at least 35 hours or more per week, and who is not a temporary or seasonal employee.

‘Production expenses or costs’ means all expenditures clearly and demonstrably incurred in the state in the development, preproduction, production or postproduction costs of a digital animation production activity. The statute enumerates those types of expenses that qualify and certain types of expenses that are specifically excluded.

#### Tax Credit Voucher

Any state-certified digital animation production company may apply to DECD no more than twice during the income year for a digital animation tax credit voucher. There must be independent certification by a licensed Connecticut Certified Public Accountant (CPA) of the production expenses or costs incurred during the period for which the voucher is issued. The voucher will list the amount of the available tax credit.

#### Assignment and Carry forward/Carry back Limitations

After the initial issuance of a tax credit, such credit may be sold, assigned, or otherwise transferred, in whole or in part, to one or more taxpayers provided no credit, after issuance, may be sold, assigned or otherwise transferred, in whole or in part, more than three times. In the event of an assignment, the transferor and the transferee shall jointly submit written notice of such transfer to DECD no later than 30 days after such transfer.

The notification that is provided to DECD after each transfer shall include the credit voucher number, the date of transfer, the amount of such credit transferred, the tax credit balance before and after the transfer, the tax identification numbers for both the transferor and transferee, and such other information as DECD may require. A taxpayer that receives the credit by assignment must claim the credit only for an income year in which the production expenses or costs were incurred.

A tax credit not used in the income year in which it is claimed may be carried forward for three succeeding income years. No carry back is allowed. An assignee of the tax credit may carryforward any unused tax credit as provided in the statute.

### Methodology and Modeling Strategy for the Digital Animation Tax Credit

We model the impact of the digital animation tax credit by accounting that the sole credit recipient, Blue Sky Studios, would not have relocated to the state but for the digital animation tax credit.

The digital animation tax credits issued averaged \$13.51 million per year from 2008-2015. Blue Sky spent \$11.12 million for leasehold improvements to an existing building, \$0.7 million in architectural and engineering fees, and \$6.1 million for furniture, fixtures and equipment (FF&E), all in 2008.

The company had an annual average of 482 jobs through 2016. We allocate these jobs into executive (5%) and non-executive (95%) jobs and use the average annual wages paid by the company to calculate a weighted average wage. The executive/non-executive employment allocation and company wages are based on data provided by the company to DECD for prior economic impact analyses. Blue Sky Studios' average annual wages are higher than the industry average wage in the Connecticut economic model (REMI); we therefore adjust the wage upwards in the motion picture and sound recording industry in the model to reflect increased purchasing power. Recent data provided by the company indicated that 74% of its employees reside outside Connecticut, down from 93% in 2009; we make a residence adjustment to account for the portion of the payroll that leaves the state, adjusting it annually to represent the declining fraction of out-of-state resident employees. We reduce the company's production costs in the amount of the credits it was issued under the digital animation tax credit, and reduce government revenues and government output by the tax credits claimed.

The table below shows the microsimulation results for the digital animation tax credit offset with the private benefit of net new jobs, construction and investment in plant and equipment. We use payroll data provided by the company and include a residence adjustment for payroll that leaves the state with the employees that reside out-of-state. Data from DRS shows that of the total \$123.1 million in credits issued so far, \$98.2 million has been claimed. The industry that has claimed most of the digital animation tax credits so far is the insurance industry, which has claimed 57 million credits through 2014 (claims data by industry for subsequent years were not available at the time of the study). The results for 2015 and 2016 below are preliminary as the claim data from DRS is partial and is subject to revision.

### Economic and Fiscal Impact of the Digital Animation Tax Credit

	2008	2009	2010	2011	2012	2013	2014	2015*	2016*	Annual Average	Revenue earned per \$1 of credit
Digital Animation Tax Credit											
Total Credits Issued	\$0	\$18,107,562	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,388,445	
Total Credits Claimed	\$0	\$9,340,652	\$12,822,242	\$11,918,257	\$24,648,023	\$9,899,369	\$5,145,208	\$17,992,253	\$6,428,842	\$12,274,356	
<b>Changes in:</b>											
Total Employment	175	655	793	891	1,088	1,150	1,128	1,030	1,007	880	
Total Private Non-Farm Employment	172	621	739	822	1,004	1,055	1,028	933	911	809	
GDP	\$15,685,110	\$125,888,279	\$147,879,963	\$176,245,606	\$210,662,930	\$249,762,748	\$254,116,876	\$230,749,070	\$243,739,666	\$183,858,916	
State Revenues	\$913,994	-\$6,272,221	-\$8,878,028	-\$6,959,379	-\$18,340,056	-\$2,946,359	\$1,955,609	-\$11,375,379	\$306,877	-\$5,732,771	-\$0.42
State Expenditures	\$204,253	\$1,198,581	\$1,830,486	\$2,473,523	\$3,195,031	\$3,829,279	\$4,190,883	\$4,223,818	\$4,355,134	\$2,833,443	
Net State Revenue	\$709,741	-\$7,470,802	-\$10,708,513	-\$9,432,902	-\$21,535,087	-\$6,775,638	-\$2,235,274	-\$15,599,197	-\$4,048,256	-\$8,566,214	
<i>*Claims data are preliminary</i>											

Source: DECD

The table above shows that the claims for the digital animation tax credit averaged \$12.3 million from 2009 through 2016 (2015 and 2016 data is preliminary).

### 5. Insurance Reinvestment Fund Tax Credits

The Insurance Reinvestment Fund (IRF) tax credit was designed to stimulate investment in Connecticut's insurance businesses and businesses providing services to insurance companies to help them grow. The original program was modified by the legislature in the 2010 legislative session and now the two programs (the original version and the modified version) are known as the First and Second Insurance Reinvestment Fund tax credit programs. This section details the common aspects of the two programs, and the following sections evaluates the performance of the two tax credit programs separately.

Tax credits are available to taxpayers making investments in an Insurance Reinvestment Fund that then reinvests in Connecticut companies engaged in an insurance business or companies providing services to insurance companies (NAICS codes 524113 to 524298). The insurance reinvestment funds were managed by fund management firms registered by the DECD commissioner. Investors could make debt or equity investments and receive a dollar for dollar tax credit equivalent to their investment prorated over ten years such that 10% of the credit could be claimed in years four through seven and 20% of the credit could be claimed in years eight through ten. In addition, investors shared investment gains or losses according to individual arrangements each investor had with the fund manager(s). This information is not available to DECD and is therefore not included in the economic analysis that follows.

The tax credit could only be claimed with respect to an income year for which a certification of continued eligibility was issued by DECD to the insurance business in which the investment was made. In order to obtain a certificate of continued eligibility, the insurance business in which the investment was made had to annually submit the information required by DECD to determine whether the occupancy and employment requirements were met. We do know the number of jobs created as a result of the investment in each company by comparing the number of jobs at application with the number of jobs reported during the annual eligibility process. . The difference is assumed to be a result of the investment.

**a. First Insurance Reinvestment Fund Tax Credit**

The following discussion pertains to the Insurance Reinvestment Fund tax credit program before the legislature modified it in the 2010 legislative session. The intent of the program was to stimulate investment in Connecticut's insurance businesses and businesses providing services to insurance companies to help them grow.

Tax credits were available to taxpayers making investments in an Insurance Reinvestment Fund that then reinvests in Connecticut companies engaged in an insurance business or companies providing services to insurance companies (NAICS codes 524113 to 524298). The credit could be applied against the taxes imposed under Chapters 207 (Insurance, Hospital and Medical Services Corp. Tax), 208 (Corporate tax), or 229 (Income tax) or CGS §38a-743 (Insurance Premiums Tax). No two taxpayers could be eligible for a tax credit with respect to the same investment, employee or facility.

The insurance reinvestment fund was managed by fund management firms registered by the DECD commissioner. Investors could make debt or equity investments and receive a dollar for dollar tax credit equivalent to their investment prorated over ten years such that 10% of the credit could be claimed in years four through seven and 20% of the credit could be claimed in years eight through ten. In addition, investors shared investment gains or losses according to individual arrangements each investor had with the fund manager(s). This information is not available to DECD and is therefore not included in the economic analysis that follows.

The tax credit could only be claimed with respect to an income year for which a certification of continued eligibility was issued by DECD to the insurance business in which the investment was made. In order to obtain a certificate of continued eligibility, the insurance business in which the investment was made had to annually submit the information required by DECD to determine whether the occupancy and employment requirements were met. We do know the number of jobs created as a result of the investment in each company by comparing the number of jobs at application with the number of jobs reported during the annual eligibility process. The difference is assumed to be a result of the investment.

**Recapture Provision**

A taxpayer had to recapture a percentage of the tax credit allowed for the entire period of eligibility if an investment was made in an insurance company or in a company that provided services to an insurance business if:

- The number of new employees on account for which a taxpayer claimed the credit decreased to less than 25% of its total work force for more than 60 days during any of the taxable years for which the credit is claimed;
- Those employees were not replaced by other employees who were not shifted from an existing location of the subject insurance business in Connecticut; and,
- The insurance business in which the investment was made had relocated to a location outside Connecticut.

The recapture provision did not apply and the tax credits could continue to be claimed if, for the entire period that the credit was applicable, the decline in the percentage of the total work force employed in Connecticut on a regular, full-time and permanent basis did not result in an actual decline in the number of persons employed by the subject insurance business in Connecticut.

The taxpayer had to recapture a percentage of the tax credit that was related to an investment in a company that met the requirements provided above as follows:

<b>Year</b>	<b>Percentage</b>
Year 4	90%
Year 5	65%
Year 6	50%
Year 7	30%
Year 8	20%
Years 9 and 10	10%

The DRS Commissioner could recapture the credit first from any taxpayer who claimed the tax credit, then from any taxpayer who assigned the tax credit and finally from any fund through which the investment that generated the tax credit was made.

The table below shows the Insurance Reinvestment Fund tax credits claimed (the state's tax cost) by industry designated by NAICS code and year (2014 is the most recent income year for which complete DRS claim data is available). Because DRS provides actual claims by industry and year representing claims by the industry awarded the credit and claims by industries purchasing the credit, we can correctly situate in time and industry the economic and fiscal impacts of this credit program. That is, we capture carry forwards and assignments. However, if the credit is assigned, there are brokers who benefit and we do not know by how much or when brokers may have benefited. Individual investors may claim a credit on their personal income tax; this appears in the top row of the table.

We assume that the investments occurring under the Insurance Reinvestment Fund tax credit program were entirely due to the program and would not have occurred otherwise, for economic modeling purposes. From 1996 to 2015, the final year eligible investments could be made, a total of \$319.41 million of investments were made by fund managers (this data is available from fund managers' reports to DECD).

A total of 626 jobs have been created due to these investments in approved Connecticut insurance businesses from 1999 onwards, shown below; these totals do not include any jobs that were lost in the case of company closures.



## First Insurance Reinvestment Fund Tax Credit Claims by NAICS Industry for Income Years 1999 through 2014

Insurance Reinvestment Fund Tax Credit Claims	NAICS Code	Credits Claimed															Totals
		1999	2000	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Individual Investors	NA	NA	NA	NA	NA	\$1,053,731	\$1,010,570	\$2,012,100	\$1,600,700	\$1,753,620	\$808,356	\$803,329	\$1,630,004	\$574,003	\$536,143	\$256,268	\$12,038,824
Apparel Manufacturing	315	\$0	\$0	\$0	\$0	\$0	\$0	\$150,000	\$88,969	\$61,022	\$0	\$0	\$0	\$0	\$0	\$0	\$299,991
Plastics and Rubber Products Manufacturing	326	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$59,081	\$0	\$0	\$0	\$0	\$59,081
Machinery Manufacturing	333	\$0	\$134	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$134
Computer and Electronic Product Manufacturing	334	\$0	\$134	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,400,000	\$1,400,134
Miscellaneous Manufacturing	339	\$0	\$134	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$134
Merchant Wholesalers, Durable Goods	423	\$0	\$0	\$0	\$637	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$637
Couriers and Messengers	492	\$0	\$0	\$0	\$0	\$0	\$0	\$740,514	\$1,042,621	\$1,432,805	\$0	\$0	\$0	\$0	\$0	\$0	\$3,215,940
Telecommunications	517	\$0	\$0	\$0	\$0	\$0	\$0	\$928,504	\$4,571,119	\$1,927,935	\$0	\$0	\$0	\$0	\$0	\$0	\$7,427,568
Monetary Authorities-Central Bank	521	\$2,760	\$1,936	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,696
Credit Intermediation and Related Activities	522	\$2,760	\$1,936	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,696
Securities, Commodity Contracts and Other Financial Investments and Related Activities	523	\$2,760	\$1,936	\$32,101	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$36,797
Insurance carriers and Related Activities	524	\$0	\$0	\$0	\$0	\$0	\$12,094,964	\$15,174,661	\$11,668,879	\$4,686,833	\$4,855,036	\$1,414,037	\$1,192,414	\$2,079,496	\$3,664,890	\$14,313,348	\$71,144,558
Funds, Trusts and Other Financial Vehicles	525	\$0	\$0	\$32,101	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$32,101
Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)	533	\$0	\$0	\$32,101	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$32,101
Management of Companies and Enterprises	551	\$0	\$0	\$32,101	\$333,403	\$314,773	\$159,615	\$346,732	\$165,949	\$169,074	\$343,886	\$344,043	\$333,150	\$0	\$0	\$0	\$2,542,726
Ambulatory Health Care Services	621	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000,000	\$0	\$1,000,000
<b>Totals</b>		<b>\$8,281</b>	<b>\$6,210</b>	<b>\$128,403</b>	<b>\$334,040</b>	<b>\$1,368,504</b>	<b>\$13,265,149</b>	<b>\$19,352,511</b>	<b>\$19,138,237</b>	<b>\$10,031,290</b>	<b>\$6,007,278</b>	<b>\$2,620,490</b>	<b>\$3,155,568</b>	<b>\$2,653,499</b>	<b>\$5,201,033</b>	<b>\$15,969,616</b>	<b>\$99,240,109</b>

Source: DECD

## Jobs Created by the First Insurance Reinvestment Fund Investments by Year

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
<b>Total Jobs Created</b>	9	142	52	187	38	18	55	19	28	26	16	0	11	1	1	19	4	626

Source: DECD

### Net Economic Impact of the First Insurance Reinvestment Fund Tax Credit

We model the impacts of this credit by reducing the investment recipients' and claiming firms' production costs offset by reduced government output equivalent to the aggregate credits claimed each year for income years 1999 through 2014 (shown in the first table above). The amounts claimed represent investments that insurance and related companies received earlier than the years in which the claims appear. We determine the amounts invested from insurance reinvestment fund managers' annual reports. The amounts invested reduce the production costs of the companies receiving investment. Individual investors reduced their personal income taxes by the amount of their credits shown in the top row of the claims table above. In addition, annual reports identify the number of jobs created in the companies (industries) as a result of their investment. We assume firms hiring these workers had to compete with other firms and there was job displacement in the process.

The table below reports the results of the economic simulation. These numbers represent the changes (net new economic activity) from the baseline forecast of the Connecticut economy induced by the Insurance Reinvestment Tax Credit. We note that net state revenue that includes the tax cost is positive through the first few years, which is a period of investment and job creation, and becomes negative in later years as the credits are claimed and job growth slows. The negative net state revenue in later years reflects the now smaller number of jobs associated with this tax credit program. While the overall jobs impact and state economic activity (GDP) are positive, net state revenue becomes negative due to the size of the revenue loss when tax credits issued were used to off-set taxes imposed.

### First Insurance Reinvestment Tax Credit Economic and Fiscal Impact

Economic Variable	1999	2000	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Annual Average Change	Revenue earned per \$1 of credit
Total New Employment Change	907	827	858	1,206	1,126	1,046	985	966	782	715	737	609	531	508	522	822	
Total Claims	\$8,281	\$6,210	\$128,403	\$334,040	\$1,368,504	\$13,265,149	\$19,352,511	\$19,138,237	\$10,031,290	\$6,007,278	\$2,620,490	\$3,155,568	\$2,653,499	\$5,201,033	\$15,969,616	\$6,616,007	
New Gross Domestic Product	\$ 69,661,459	\$ 74,451,735	\$ 77,359,659	\$123,941,847	\$122,028,434	\$109,151,143	\$104,737,016	\$110,388,460	\$ 92,093,718	\$ 88,989,157	\$ 98,829,613	\$ 84,432,532	\$ 77,762,898	\$ 75,463,686	\$ 75,825,139	\$92,341,100	
New State Revenues	\$ 3,013,328	\$ 4,373,514	\$ 4,321,761	\$ 6,386,809	\$ 6,536,336	\$ (6,643,804)	\$ (10,720,042)	\$ (10,675,061)	\$ (2,367,600)	\$ 77,031	\$ 3,208,635	\$ 3,717,739	\$ 2,723,574	\$ 24,180	\$ (10,852,138)	-\$391,716	-\$0.06
New State Expenditures	\$ 901,062	\$ 1,355,837	\$ 1,631,209	\$ 2,367,804	\$ 2,725,871	\$ 2,907,512	\$ 3,028,954	\$ 3,181,266	\$ 3,076,344	\$ 2,917,057	\$ 2,920,117	\$ 2,768,431	\$ 2,601,461	\$ 2,479,235	\$ 2,442,855	\$2,487,001	
Net New State Revenues	\$ 2,112,266	\$ 3,017,677	\$ 2,690,552	\$ 4,019,005	\$ 3,810,466	\$ (8,551,316)	\$ (13,748,996)	\$ (13,856,327)	\$ (5,443,944)	\$ (2,840,026)	\$ 288,518	\$ 949,308	\$ 122,113	\$ (2,455,055)	\$ (13,294,993)	-\$2,878,717	

Source: DECD

**b. Second Insurance Reinvestment Fund Tax Credit**

In 2010, the legislature amended the Insurance Reinvestment Fund tax credit to provide a new tax credit that may be used against the taxes imposed by Chapter 207 and section 38a-743 (insurance premiums tax) of the Connecticut General Statutes. The Second Insurance Reinvestment Fund tax credit is available to insurance companies that invest eligible capital with approved fund managers, who in turn invest such capital in eligible businesses. This tax credit also has different investment criteria than the first Insurance Reinvestment Fund tax credit.

The tax credit is allowable over ten years, with the first installments of 10% made available the third full calendar year following the investment. The same investment cannot generate tax credits for both the investor and the business. Any tax credit not used in the calendar year for which it was allowed may be carried forward for the five immediately succeeding calendar years until the entire tax credit is taken. No carryback is allowed.

To be certified as an Insurance Reinvestment Fund, an application must be submitted to DECD. Once the application is approved, DECD will issue an allocation of the tax credits. The fund manager must then confirm that the fund has received taxpayer investments equal to the tax credits that have been allocated.

Each Insurance Reinvestment Fund must submit an annual report to DECD, and is subject to decertification if it is not in compliance certain conditions. Decertification of an Insurance Reinvestment Fund shall cause the forfeiture of future Tax credits when:1) such decertification occurs on or before the fourth anniversary of the fund's allocation date; and 2) such fund has invested less than 60% of its eligible capital in eligible businesses by said anniversary.

Claims for the Second IRF tax credit are shown in the table below. Only the insurance industry has claimed these tax credits as this program limits the type of taxes imposed that the credits can be applied against. Fund investments (shown in the following table) are now spread across a variety of industries, as are the new jobs created as a result of the tax credit.

**Second Insurance Reinvestment Fund Tax Credit Claims by NAICS Industry**

Second Insurance Reinvestment Fund Tax Credit Claims								
Industry	NAICS Code	2011	2012	2013	2014	2015*	2016*	Totals
Insurance carriers and Related Activities	524	\$0	\$0	\$7,013,923	\$6,333,154	\$7,856,222	\$5,760,991	\$26,964,290
	<b>Totals</b>	\$0	\$0	\$7,013,923	\$6,333,154	\$7,856,222	\$5,760,991	\$26,964,290
<i>*preliminary</i>								

Source: DRS

**Second Insurance Reinvestment Fund Investments**

Second Insurance Reinvestment Fund Tax Credit Fund Managers' Investments								
Industry	NAICS Code	2011	2012	2013	2014	2015	2016	Total 2011-2016
Construction	238		\$3,500,000		\$1,500,000	\$2,750,000	\$1,100,000	\$8,850,000
Food Manufacturing	311					\$500,000		\$500,000
Beverage and Tobacco Product Manufacturing	312	\$100,000	\$75,000	\$2,000,000		\$135,000		\$2,310,000
Paper Manufacturing	322		\$2,875,000				\$1,413,696	\$4,288,696
Petroleum and Coal Products Manufacturing	324	\$150,000			\$1,000,000	\$1,250,000		\$2,400,000
Chemical Manufacturing	325	\$500,000	\$4,400,000	\$100,000	\$4,000,000			\$9,000,000
Fabricated Metal Product Manufacturing	332	\$14,800,000	\$6,450,000	\$1,250,000	\$1,000,000		\$1,965,000	\$25,465,000
Computer and Electronic Product Manufacturing	334	\$2,675,000	\$2,800,000	\$1,210,000	\$4,000,000	\$2,565,000		\$13,250,000
Electrical Equipment and Appliance Manufacturing	335				\$9,950,000	\$250,000		\$10,200,000
Other Transportation Equipment Manufacturing	336	\$75,000	\$9,250,000		\$300,000		\$1,500,000	\$11,125,000
Furniture and Related Product Manufacturing	337				\$3,500,000			\$3,500,000
Miscellaneous Manufacturing	339	\$200,000	\$125,000	\$2,500,000	\$45,994	\$635,285		\$3,506,279
Merchant Wholesalers, Durable Goods	423						\$3,500,000	\$3,500,000
Merchant Wholesalers, Nondurable Goods	424			\$600,000				\$600,000
Publishing Industries Except Internet	511	\$300,000	\$150,000	\$2,500,000	\$2,450,000	\$3,650,000	\$339,280	\$9,389,280
Telecommunications	517	\$325,000	\$100,000	\$2,000,000	\$1,000,000	\$600,000		\$4,025,000
Data Processing, Hosting and Related Services	518	\$150,000	\$111,141	\$10,000				\$271,141
Other Information Services	519	\$250,000	\$650,000	\$190,000		\$700,000		\$1,790,000
Securities, Commodity Contracts and Other Financial Investments and Related Activities	523		\$225,000	\$120,000				\$345,000
Professional and Technical Services	541	\$2,125,000	\$3,086,000	\$12,100,100	\$13,850,163	\$3,014,300	\$700,000	\$34,875,563
Administrative and Support Services	561						\$514,285	\$514,285
Waste Management and Remediation Services	562		\$15,276,830	\$1,000,000				\$16,276,830
Ambulatory Health Care Services	621		\$150,000	\$150,000	\$39,999			\$339,999
Social Assistance	624				\$150,000			\$150,000
Performing Arts, Spectator Sports	711				\$1,500,000			\$1,500,000
Repair and Maintenance Services	811						\$2,000,000	\$2,000,000
Personal Services	812	\$6,250,000	\$100,000	\$3,543,000				\$9,893,000
<b>Totals</b>		<b>\$27,900,000</b>	<b>\$49,323,971</b>	<b>\$29,273,100</b>	<b>\$44,286,156</b>	<b>\$16,049,585</b>	<b>\$13,032,261</b>	<b>\$179,865,073</b>

Source: DECD

Second Insurance Reinvestment Fund Tax Credit Jobs							
Industry	NAICS Code	2011	2012	2013	2014	2015	2016
Construction	238				36	63	
Food Manufacturing	311					17	
Beverage and Tobacco Product Manufacturing	312	70	79	1			
Paper Manufacturing	322		23				
Petroleum and Coal Products Manufacturing	324	3			9		
Chemical Manufacturing	325	24	23				
Fabricated Metal Product Manufacturing	332	226	83	62	114		192
Computer and Electronic Product Manufacturing	334	35	5	12			
Electrical Equipment and Appliance Manufacturing	335				161	96	
Other Transportation Equipment Manufacturing	336	4	274		19		65
Furniture and Related Product Manufacturing	337				32		
Miscellaneous Manufacturing	339	3		23			
Merchant Wholesalers, Durable Goods	423						19
Publishing Industries Except Internet	511	7	24	66	10	31	
Telecommunications	517	15	5	39			
Data Processing, Hosting and Related Services	518	7					
Other Information Services	519	33		0		17	
Securities, Commodity Contracts and Other Financial Investments and Related Activities	523		2				
Professional and Technical Services	541	7	60	54	21	68	
Administrative and Support Services	561						12
Waste Management and Remediation Services	562		301				
Ambulatory Health Care Services	621		4	27			
Social Assistance	624				3		
Performing Arts, Spectator Sports	711				7		
Repair and Maintenance Services	811						18
Personal Services	812	110					
<b>Totals</b>		<b>544</b>	<b>883</b>	<b>284</b>	<b>412</b>	<b>292</b>	<b>306</b>

**Jobs Created by the Second Insurance Reinvestment Fund Tax Credit by Industry and Year**

Source: DECD

**Net Economic Impact of the Second Insurance Reinvestment Fund Tax Credit**

We model the impacts of this credit by reducing the claiming firms’ production costs offset by reduced government output equivalent to the aggregate credits claimed each year for income years 2011 through 2016 (shown in the first table above). The amounts claimed represent investments that insurance and related companies received earlier than the years in which the claims appear. The investments in the insurance industry and new jobs created represent the direct economic activity that occurred because of the tax credit.

The table below reports the results of the economic simulation. These numbers represent the changes (net new economic activity) from the baseline forecast of the Connecticut economy induced by the Second Insurance Reinvestment Tax Credit. We notice that net state revenue that includes the tax cost is positive throughout the study period.

**Recommendation:**

We recommend that the Insurance Reinvestment tax credit continue as revised by the legislature in 2010. The new credit program requires closer monitoring and penalties for not achieving a positive return to the state, and the program has generated strong results in terms of jobs and state net revenue created.

**Second Insurance Reinvestment Tax Credit Economic and Fiscal Impact**

Economic Variable	2011	2012	2013	2014	2015*	2016*	Annual Average Change	Revenue earned per \$1 of credit
Total New Employment Change	1,255	3,533	4,154	5,013	5,336	5,505	4,133	
Total Claims	\$0	\$0	\$7,013,923	\$6,333,154	\$7,856,222	\$5,760,991	\$4,494,048	
New Gross Domestic Product	\$167,821,168	\$478,829,450	\$577,502,061	\$717,558,803	\$777,234,251	\$812,537,249	\$588,580,497	
New State Revenues	\$7,658,698	\$22,285,352	\$19,124,852	\$27,064,446	\$28,827,814	\$33,191,493	\$23,025,442	\$5.12
New State Expenditures	\$1,893,444	\$6,268,824	\$9,413,785	\$12,929,009	\$15,497,759	\$17,577,668	\$10,596,748	
Net New State Revenues	\$5,765,254	\$16,016,528	\$9,711,067	\$14,135,437	\$13,330,055	\$15,613,825	\$12,428,694	
<i>*preliminary</i>								

Source: DECD



## **6. Manufacturing Facility Tax Credit for Facilities Located in an Enterprise Zone (or Other Area Having Enterprise Zone Benefits)**

A tax credit equal to 50% of the tax imposed under Chapter 208 of the Connecticut General Statutes allocable to a manufacturing or service industry facility located within a designated Enterprise Zone (or other area having Enterprise Zone benefits) is available to a firm that meets certain employment criteria. If it does not meet such criteria, the facility may qualify for the 25% Manufacturing Facility Credit. This tax credit aims to reward firms located in and those that would locate to an Enterprise Zone or other area described below having such benefits.

Firms located in such areas need not expand their employment or plant and equipment to receive a tax credit under this program. The incentive provided may induce firms to locate to an Enterprise Zone or other area having such benefits and all qualifying firms receive a reduction in their Connecticut tax liability for nine years.

To qualify for the 50% tax credit, the corporation must, during the last quarter of its income year, either:

- Employ 150 or more full-time employees who at the time of employment were:
  - Residents of the Enterprise Zone (or other area having Enterprise Zone benefits); or were
  - Residents of the municipality eligible for training under the federal Workforce Investment Act (WIA); or
- Have 30% or more of its full-time employment positions directly attributable to the manufacturing facility held by employees who at the time of employment were:
  - Residents of the Enterprise Zone (or other area having Enterprise Zone level benefits); or were
  - Residents of the municipality eligible for training under the federal WIA.

The credit period is ten years and begins with the first full income year following the year of issue of the eligibility certificate and continues for the following nine income years.

If within the ten-year period the facility ceases to qualify as a manufacturing facility or the taxpayer ceases to occupy the property, the entitlement to the credit terminates and there is no pro-rata

application of the credit during the income year in which the entitlement or occupancy terminates. No carryforward, carry back or assignment is allowed.

#### History of Claims for the 25% and 50% Manufacturing Facilities Tax Credit

The table below shows the claims (cost to the state) of the 25% and 50% Manufacturing Facilities tax credit by firms aggregated by NAICS industry code by year. We model this tax credit program by reducing state government output and the industry's production costs in the amount of the claim by industry each year for which we have data. We cannot determine whether businesses located to or expanded in the enterprise zone because of the tax credit or if they did, by how much. If we could, such relocation or expansion may not be net new to the state reflecting a redistribution of facilities to take advantage of the tax credit. Businesses may qualify for the credit if they are acquired. If this is the case, there may be no net new economic activity because of the acquisition. Notwithstanding, such activity may have the desirable effect of ameliorating the distressed economic condition of the enterprise zone and its vicinity.

The claims totals in the table below shows that from 1995 through 2014 (excluding 2002 because of the lack of data) a total of \$24.5 million was claimed by firms in a variety of industries. The tables show the amounts claimed in recent years from a selection (not all) of industries. Claims varied from \$51 in the Credit Intermediation and Related Activities sector in 2001 to a high of \$1.8 million in the Machinery Manufacturing sector in 2007. Over the entire period, the highest total claims came from the Transportation Equipment Manufacturing sector (\$6.2 million from 1995-2014). Total per year claims peaked in 2007 at \$3.47 million.

**Manufacturing Facilities Tax Credit: Credits Claimed in Income Years 2003 through 2014 and Total Claimed 1995-2014– Selected Industries**

Manufacturing Facilities Tax Credit for Facilities in a Targeted Investment Community or Enterprise Zone	NAICS Code	Credits Claimed												Industry Totals 1995-2014	
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
Specialty Trade Contractors	238	\$4,835	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,769	\$16,263
Food Manufacturing	311	\$19,091	\$16,580	\$17,580	\$15,044	\$9,172	\$3,077	\$3,218	\$3,284	\$3,504	\$3,490	\$3,326	\$3,114	\$197,255	
Petroleum and Coal Products Manufacturing	324	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,825	
Chemical Manufacturing	325	\$8,046	\$6,021	\$24,779	\$17,101	\$4,207	\$3,603	\$4,452	\$6,963	\$4,855	\$0	\$1,929	\$153	\$644,280	
Plastics and Rubber Products Manufacturing	326	\$4,310	\$13,536	\$2,457	\$104	\$804	\$271	\$67	\$0	\$0	\$0	\$0	\$0	\$166,467	
Nonmetallic Mineral Product Manufacturing	327	\$17,710	\$18,446	\$15,254	\$17,377	\$15,569	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$296,892	
Primary Metal Manufacturing	331	\$1,301	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$168,710	
Fabricated Metal Product Manufacturing	332	\$19,298	\$15,700	\$15,016	\$29,861	\$2,139	\$10,588	\$697	\$727	\$1,243	\$633	\$2,370	\$12,655	\$736,407	
Machinery Manufacturing	333	\$11,336	\$2,146	\$619	\$11,874	\$1,823,326	\$165,578	\$246,338	\$168,022	\$770	\$0	\$0	\$0	\$3,144,514	
Computer and Electronic Product Manufacturing	334	\$8,493	\$9,645	\$5,935	\$7,311	\$6,357	\$6,295	\$0	\$0	\$0	\$0	\$0	\$0	\$402,514	
Electrical Equipment, Appliance and Component Manufacturing	335	\$0	\$0	\$30,017	\$25,139	\$14,184	\$15,980	\$9,547	\$409	\$677	\$184	\$181	\$27,691	\$438,715	
Transportation Equipment Manufacturing	336	\$51,437	\$1,446,185	\$81,044	\$110,325	\$254,003	\$82,902	\$290,765	\$656,899	\$560,169	\$656,256	\$776,520	\$732,314	\$6,150,480	
Furniture and Related Product Manufacturing	337	\$0	\$0	\$0	\$2,407	\$2,239	\$0	\$1,887	\$937	\$946	\$949	\$0	\$0	\$371,778	
Miscellaneous Manufacturing	339	\$34,111	\$8,869	\$6,886	\$2,071	\$1,488	\$5,336	\$5,504	\$5,694	\$8,166	\$15,745	\$13,210	\$12,900	\$570,545	
Merchant Wholesalers, Durable Goods	423	\$11,191	\$120,032	\$170,017	\$463,105	\$589,785	\$557,830	\$266,569	\$270,838	\$203,934	\$106,909	\$129,127	\$235,377	\$3,315,036	
Merchant Wholesalers, Nondurable Goods	424	\$34,149	\$94,254	\$110,315	\$122,935	\$78,556	\$84,368	\$100,871	\$43,209	\$32,610	\$0	\$879	\$0	\$873,549	
Miscellaneous Store Retailers	453	\$120,491	\$80,541	\$62,405	\$0	\$63,108	\$38,382	\$118,242	\$36,945	\$48,954	\$0	\$0	\$0	\$846,256	
Publishing Industries (except Internet)	511	\$456	\$3,930	\$5,043	\$905	\$826	\$759	\$669	\$727	\$829	\$0	\$0	\$0	\$142,549	
Motion Picture and Sound Recording Industries	512	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$134,797	
Data Processing, Hosting and Related Services	518	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$44,088	
Credit Intermediation and Related Activities	522	\$0	\$0	\$0	\$0	\$0	\$23,917	\$19,691	\$14,284	\$14,757	\$0	\$68,693	\$94,068	\$241,420	
Securities, Commodity Contracts and Other Financial Investments and Related Activities	523	\$0	\$0	\$0	\$0	\$0	\$0	\$14,066	\$17,663	\$16,626	\$13,947	\$30,496	\$29,717	\$175,789	
Insurance Carriers and Related Activities	524	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$63,043	
Funds, Trusts and Other Financial Vehicles	525	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$116,317	
Real Estate	531	\$11,901	\$2,107	\$1,600	\$4,875	\$3,804	\$3,950	\$0	\$0	\$0	\$0	\$0	\$0	\$77,194	
Rental and Leasing Services	532	\$4,359	\$1,003	\$462	\$3,155	\$5,105	\$2,296	\$101,530	\$61,884	\$28,470	\$17,601	\$44,464	\$34,923	\$313,951	
Professional, Scientific and Technical Services	541	\$4,198	\$4,154	\$37,338	\$39,448	\$31,537	\$7,967	\$50	\$2,912	\$4,854	\$0	\$0	\$0	\$454,973	
Management of Companies and Enterprises	551	\$33,141	\$25,602	\$30,268	\$20,167	\$29,189	\$125	\$47,583	\$77,411	\$120,356	\$33,158	\$30,988	\$54,701	\$555,963	
<b>Total for All Industries</b>		<b>\$400,245</b>	<b>\$1,869,058</b>	<b>\$617,235</b>	<b>\$1,549,934</b>	<b>\$3,469,808</b>	<b>\$1,013,317</b>	<b>\$1,231,746</b>	<b>\$1,368,808</b>	<b>\$1,051,720</b>	<b>\$848,872</b>	<b>\$1,102,183</b>	<b>\$1,252,502</b>	<b>\$24,547,660</b>	

Source: DRS

### Results for the Manufacturing Facilities Tax Credit

The table below shows details of changes in employment, state GDP, state revenue and state expenditure with respect to the baseline or status quo forecast of the Connecticut economy. We do not know the companies' employment levels or other relevant data, and there is no activity required other than to locate in an Enterprise Zone.

### Recommendation:

We recommend eliminating the Manufacturing Facilities tax credit program because, as configured, it does not generate sufficient employment or net new tax revenue on average annually (see table below) to justify its continuation. We believe the job thresholds and qualifying criteria are too high (too strict) for the 50% credit and given the zero job creation threshold interpretation for the 25% credit (see footnote 15), the net benefit is too small to justify continuing the program.

In addition, corporate business tax credits are provided for qualifying service facilities located outside of an Enterprise Zone in a Targeted Investment Community on a sliding scale based on the number of full-time jobs created. And the state offers other incentives to the manufacturing sector, such as Manufacturing Assistance Act (MAA) loans.

### Economic and Fiscal Impacts of the Manufacturing Facilities Tax Credit

Economic Variable	1995	1996	1997	1998	1999	2000	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Annual Average 1995-2014	Revenue earned per \$1 of credit
Total New Employment	9	17	18	20	20	17	13	9	16	11	11	18	15	12	11	9	8	7	8	13	
Total Claims	\$ 1,377,793	\$ 1,960,647	\$ 1,347,750	\$ 1,236,418	\$ 1,093,594	\$ 1,079,807	\$ 676,223	\$ 400,245	\$ 1,869,058	\$ 617,235	\$ 1,549,934	\$ 3,469,808	\$ 1,013,317	\$ 1,231,746	\$ 1,368,808	\$ 1,051,720	\$ 848,872	\$ 1,102,183	\$ 1,252,502	\$ 1,291,982	
New Gross Domestic Product	\$ (196,912)	\$ 173,943	\$ 764,159	\$ 1,005,354	\$ 1,141,249	\$ 1,009,783	\$ 964,233	\$ 869,671	\$ 703,885	\$1,086,142	\$ 459,036	\$ 38,955	\$ 1,431,245	\$ 996,129	\$ 936,328	\$ 989,149	\$ 996,153	\$ 867,660	\$ 837,712	\$ 793,362	
State Revenues	\$(1,331,526)	\$(1,879,924)	\$(1,259,662)	\$(1,140,499)	\$ (991,484)	\$ (990,270)	\$ (602,635)	\$ (343,040)	\$(1,755,214)	\$ (532,813)	\$(1,454,110)	\$(3,339,082)	\$ (885,643)	\$(1,132,324)	\$(1,267,433)	\$ (962,127)	\$ (770,357)	\$(1,022,401)	\$(1,166,876)	\$(1,201,443)	-\$0.93
State Expenditures	\$ 6,314	\$ 18,075	\$ 27,372	\$ 34,738	\$ 39,870	\$ 41,687	\$ 39,813	\$ 37,114	\$ 41,147	\$ 41,243	\$ 38,935	\$ 43,870	\$ 49,522	\$ 46,450	\$ 45,661	\$ 44,445	\$ 42,078	\$ 40,204	\$ 39,419	\$ 37,787	
Net New State Revenues	\$(1,337,841)	\$(1,898,000)	\$(1,287,034)	\$(1,175,238)	\$(1,031,355)	\$(1,031,958)	\$(642,448)	\$ (380,154)	\$(1,796,361)	\$(574,055)	\$(1,493,044)	\$(3,382,952)	\$ (935,164)	\$(1,178,774)	\$(1,313,094)	\$(1,006,572)	\$ (812,435)	\$(1,062,605)	\$(1,206,295)	\$(1,239,230)	

Source:

DECD

## 7. Property Tax Abatements for Investment in Enterprise Zones

Connecticut was the first state to establish Enterprise Zones. In 1982, enterprise zones were designated in six municipalities; there are currently 17 Targeted Investment Communities with Enterprise Zones in the following municipalities:

Bridgeport	Meriden	Norwich
Bristol	Middletown	Southington
East Hartford	New Britain	Stamford
Groton	New Haven	Waterbury
Hartford	New London	Windham
Hamden	Norwalk	

### ZONE DESIGNATION

CGS §32-70 designates the establishment of the state's Enterprise Zones. A zone consists of a census tract or several contiguous tracts within a targeted investment community. In order for a community to be eligible to establish a traditional Enterprise Zone, it must meet certain criteria related to social and economic conditions.

Primary census tracts must meet at least one of the following:

- a poverty rate of at least 25%
- an unemployment rate of two times the state average
- at least 25% of the tract's population receives public assistance

Secondary census tracts must meet lower thresholds:

- a poverty rate of 15%
- an unemployment rate of at least 1.5 times the state average
- at least 15% of the tract's population receiving public assistance

East Hartford, Groton and Southington were designated enterprise zone municipalities with special legislation due to the impact of severe defense industry cutbacks with each municipality losing at least 2,000 jobs. The above poverty criteria did not apply.

A municipality containing a designated Enterprise Zone, described above, is defined in CGS §32-222(u) as a Targeted Investment Community. By statute, a municipality may have only one Enterprise Zone. However, a Targeted Investment Community may, if certain conditions obtain, designate other areas within the municipality as having the equivalent of Enterprise Zone level benefits.

Such designations include:

- Entertainment District (CGS §32-76) - A Targeted Investment Community may, with the approval of the DECD commissioner, designate an area within the municipality as an Entertainment District. Once an Entertainment district is designated, projects eligible for Enterprise Zone level benefits would include, but not limited to, facilities producing live or recorded multimedia products and support business necessary to sustain such operations. An eligible entertainment related project taking place anywhere within a municipality, with an approved Entertainment District, is eligible for Enterprise Zone level benefits. In the event that an eligible entertainment related project takes place within the boundaries of the designated Entertainment District, the municipality has the option of providing 100% property tax abatement for the eligible project for up to seven years, rather than the standard tax abatement of 80% for five years. Entertainment related to gambling or gaming facilities, or facilities whose primary source of revenue is the sale of alcoholic beverages are specifically excluded per statute. In addition, video arcades and theme parks do not fall within the range of definitions provided in statute. However, within the designated district, the municipality may provide a 100%, seven-year property tax abatement for any real property improvement (cf. CGS §32-76a). Currently, Entertainment Districts exist in Bridgeport, New Britain, Stamford, and Windham. Real estate transactions occurring in Entertainment Districts do not have to pay state real estate conveyance taxes (CGS §12-498(b) (3)).
- Qualified Manufacturing Plant (CGS §32-75c) - Any Targeted Investment Community with a manufacturing plant having an area of at least 500,000 square feet, which is located outside the Enterprise Zone may, with the approval of the DECD commissioner, designate such a facility a Qualified Manufacturing Plant. An eligible company completing an approved project in such a

facility is eligible for the same benefits and subject to the same conditions, as those who qualify for benefits in an Enterprise Zone. Bristol and New Britain appear to be the only Targeted Investment Communities that have facilities eligible for such designations. Each municipality has applied for and received such a designation for specific facilities.

- **Railroad Depot Zone** (CGS §32-75a) - Any Targeted Investment Community with an abandoned or underutilized railroad depot area, which is located outside of the existing Enterprise Zone may, with the approval of the DECD commissioner, designate this area and a reasonable amount of adjacent area as a Railroad Depot Zone. For the purpose of this designation, a railroad depot is defined as an area that abuts an active or inactive rail line and contains vacant or underutilized manufacturing or warehousing facilities that originally depended on railroad access to operate. An eligible project taking place in such a designated area is eligible for the same benefits and subject to the same conditions as those that qualify for benefits in an Enterprise Zone. Currently, East Hartford, Hamden and Norwich have applied for and received such a designation.

#### **Benefits for Firms in an Enterprise Zone**

- 5) A five year, 80% abatement of local property taxes on qualifying real and personal property subject to the property being new to the grand list of the municipality as a direct result of a business expansion or renovation project or in the case of an existing building, having met the vacancy requirement. The property tax abatement is for a five-year period and takes effect with the start of the first full assessment year following the issuance of a “Certificate of Eligibility.” Statutory reference to these benefits appears in CGS §§32-9p, 2-9r, 32-9s, 12-81 exemptions 59 and 60.
- 6) A ten-year, 25% credit on that portion of the state’s corporation business tax that is directly attributable to a business expansion or renovation project as determined by DRS. The corporation tax credit is available for a ten-year period and takes effect with the start of the business’ first full fiscal year following the issuance of a “Certificate of Eligibility.” The corporate tax credit increases to 50% if a minimum of 30% of the new full time positions are filled by either zone residents or are residents of the municipality and are Workforce Investment Act (WIA) eligible. The statutory reference for this benefit is CGS §12-217(e). We describe this program under the Manufacturing Facilities tax credit program.



- 7) As of January 1, 1997, newly formed corporations located in a zone qualify for a 100% corporate tax credit for their first three taxable years and a 50% tax credit for the next seven taxable years. This is subject to corporation having at least 375 employees at least 40% of whom are either zone residents or residents of the municipality and who qualify for the WIA or the corporation has less than 375 employees at least 150 of whom are zone residents or who reside in the municipality and qualify for the WIA. We describe this program under the Enterprise Zone Tax Credit for Qualifying Corporations.
- 8) Public Act 96-264 (CGS §32-229) A business engaged in biotechnology, pharmaceutical, or photonics research, development or production with not more than 300 employees, is eligible for Enterprise Zone benefits if it is located in a municipality with (1) a major research university with programs in biotechnology, pharmaceuticals, or photonics and (2) an Enterprise Zone. Benefits are subject to the same conditions as those for businesses located in an Enterprise Zone.

Firms that locate or expand in certain census tracts in certain towns designated as enterprise zones described above under benefits (1) and (4) may apply for a property tax abatement equal to a fraction of the increase in the Grand List (the value of the new plant and equipment) as a result of their investment.

A description of Connecticut's enterprise zone programs follows the impact analysis. The firm's property tax abatement is equal to 80% of the assessed value (which is 70% of market value) of new plant and equipment, multiplied by the appropriate mill rate.

The municipality absorbs 40% of the abatement and the state reimburses the municipality for 40% of the abatement. We model the state's 'cost' as reduced government revenue and reduced government spending as we assume taxes are not raised to cover the payments to municipalities. Municipalities in turn forgo an equal amount of tax revenue and we reduce local government spending correspondingly.

We transcribed claim amounts for each company from OPM paper records and matched the DECD-assigned certification number with DECD records to extract the NAICS code from DECD records for each company. We aggregated claims by NAICS code. OPM records from which we transcribed individual firm claim data are for the grand list year that runs from October 1 through September 30. OPM adjustments to the grand list records can occur because of late or erroneous submissions by municipalities. We did not pick up adjustments for the economic analysis.

The table below shows the dollar amounts claimed for newly certified eligible investments by year for recent years. Each newly certified company is allowed to claim the abatement for four additional years following the initial claim. The largest industry sectors claiming this abatement in recent years are the transportation equipment manufacturing industry and the securities and financial instruments industry.

<b>Enterprise Zone Claims and Investments</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Average</b>
Abatements for Newly Certified Investments	\$644,573	\$961,130	\$462,409	\$1,248,258	\$829,092
Number of New Certifications	37	44	45	44	43
Associated Investment Value Based on Assessment	\$44,104,521	\$44,635,539	\$30,032,098	\$54,798,509	\$43,392,667

*Source: OPM*

We analyze the full economic impact of the enterprise zone abatements utilizing the REMI TaxPI model. We assume the investment would not have occurred in the region were not for the EZ program – in other words, we utilize the full value of the investments for the analysis. We also assume the initial abatement is carried through for the full five years with no adjustments. Though this may not capture the actual amounts of the abatements by year, the difficulties associated with sorting data from paper records makes this simplifying assumption necessary. Even though enterprise zones have been established in the state since 1982, we analyze the program for only the 2013-2016 period as the time commitment needed to match historical OPM paper records to DECD NAICS data for so many

years is extremely high and some discrepancies in historical data make new certifications difficult to distinguish from older ones. The full economic impact, which includes the direct, indirect and induced impacts of the full investments associated with the EZ abatement program, are shown below.

<b>Enterprise Zone Abatements</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Annual Average</b>	<b>Revenue earned per \$1 of state contribution</b>
Claims for New Investments	\$644,573	\$961,130	\$462,409	\$1,248,258	\$829,092	
Total Claims (assuming 5 years of equal claims)	\$644,573	\$1,605,703	\$2,068,112	\$3,316,370	\$1,908,690	
State Contribution	\$161,143	\$401,426	\$517,028	\$829,092	\$477,172	
<b>Changes in:</b>						
Total Employment	330	336	216	359	310	
Total Private Non-Farm Employment	327	335	218	365	311	
GDP	\$29,844,000	\$31,148,100	\$20,968,400	\$36,165,700	\$29,531,550	
State Revenues	\$1,788,400	\$1,882,500	\$1,287,800	\$2,143,100	\$1,775,450	\$3.72
State Expenditures	\$282,400	\$317,600	\$232,500	\$210,300	\$260,700	
Net State Revenue	\$1,506,000	\$1,564,900	\$1,055,300	\$1,932,800	\$1,514,750	

Source: DECD

Transforming the Assessors' records filed with OPM to electronic format would greatly assist with the monitoring and analysis of this program. Additional information from the companies on job creation would give a more complete picture of the program's impact on the community.

Other areas may be designated as additional enterprise zones or enterprise corridor zones with certain benefits (see below for details). The data on all these additional programs are included in the Enterprise Zone data provided to DECD by OPM, and therefore are incorporated into the Enterprise Zone analysis above.

It is important to note that the purpose of the enterprise zone program is to yield benefits to the designated community, and the return to the state is of secondary concern. The goal is that by locating in an area in which it normally would not, the company fuels local economic development by employing local residents and stimulating local businesses. The community's tax base is also strengthened. So while the enterprise zone program may have a significant macroeconomic impact to the state economy as stated above, it should be remembered that the primary benefit of this program is intended to be for the local community.

### Recommendation

Because of the significant economic impact when the full investment is taken into account, we recommend continuing the enterprise zone property tax abatement program with changes. It is likely that this benefit played a role in the companies' decisions to locate in these towns. This in turn stimulates economic activity that would not have occurred in the local community had the companies located elsewhere in the state.

We recommend modifying the program so that the abatement percentage declines over the five years (instead of the constant 80% that currently exists), but doing so in a way that the total value of the abatement to the recipient remains equivalent to what they would currently receive under the program. We further believe that more milestones and requirements should be added to the program to ensure that the benefit provided to the user of the credit is more than offset by the increased revenue to the state. Since state funding has been eliminated for this program in the current budget, it makes sense to reassess the program now.

### **8. Enterprise Zone Tax Credit for Qualifying Corporations**

This tax credit is available to apply against the corporate income tax for qualifying corporations established in an area designated for enterprise zone benefits that satisfies either of the following employment criteria:

- Has 375 or more employees, at least 40% of whom:
  - Are residents of the municipality in which the enterprise zone is located; and
  - Qualify under the federal Workforce Investment Act (WIA); or
- Has fewer than 375 employees, at least 150 of whom:
  - Are residents of the municipality in which the enterprise zone is located; and
  - Qualify under the federal WIA.

### Recommendation:

This tax credit has been on the books since 1997 and has had no claims and we perform no economic analysis because this program has had no effect on the economic development of the state. We feel the qualifying thresholds are too high which explains the absence of claims. Given other incentive programs available to firms in enterprise zones, we recommend this program be eliminated.

## **9. Service Facility Tax Credit**

This tax credit is available to apply against the corporate income tax for a service facility located outside of an Enterprise Zone in a Targeted Investment Community. The employment threshold for qualifying for this tax credit begins at 300 new employees.

This tax has only been claimed once during the period of study, in 2012 when a total of \$148,889 was claimed by the Wholesale Trade sector (NAICS 424). One year of data is insufficient to do a proper impact analysis, especially given that we do not know the size of the service facility and whether it is newly established incentivized by the tax credit.

### Recommendation:

This tax credit program has had only claim and therefore we perform no economic analysis. Given this extremely low usage and other incentive programs available to firms, we recommend this program be eliminated.

## **10. Urban Jobs Program**

The Urban Jobs Program provides benefits to eligible companies with suitably induced projects located in a Targeted Investment Community but outside of the Enterprise Zone, which are not impacted by any of the newly designated Enterprise Zone level benefit areas described above.

### Benefits of the Urban Jobs Program

The benefits associated with the Urban Jobs Program in a Targeted Investment Community outside of the Enterprise Zone are provided at the discretion of the DECD commissioner and are as follows:

- A five-year, 80% property tax abatement (captured above).
- A ten-year, 25% corporation business tax credit to qualified manufacturing businesses.
- Property tax benefits for real estate and/or equipment are provided on a sliding scale for qualifying service facilities located outside of an Enterprise Zone in a Targeted Investment Community. The minimum investment is \$20 million to qualify for a five-year, forty percent property tax abatement. This benefit increases to an eighty percent, five-year tax abatement for

projects with an investment greater than \$90 million. The equipment qualifies only if installed in a facility that has been newly constructed or substantially renovated or expanded.

<b>Investment</b>	<b>Percent of Assessed Value Abated</b>
\$20 million to \$39 million	40%
\$39 million to \$59 million	50%
\$59 million to \$79 million	60%
\$79 million to \$90 million	70%
More than \$90 million	80%

- Corporate business tax credits are provided for qualifying service facilities located outside of an Enterprise Zone in a Targeted Investment Community on a sliding scale based on the number of full-time jobs created. The minimum tax credit of 15% is allowed for service companies creating 300 or more jobs but less than 599 new jobs. The benefit increases to 50% for such companies creating 2000 or more new jobs at the eligible facility. The eligibility period for this tax credit is ten years.

<b>New Employees Hired</b>	<b>Credit</b>
300-599	15%
600-899	20%
900-1,199	25%
1,200-1,499	30%
1,500-1,999	40%
2,000 or more	50%

A business may not initiate a project that could qualify for incentives without first requesting and obtaining the approval of the DECD commissioner. Approval depends on the ability of the business to demonstrate 1) that the incentives are an inducement and 2) that they have an economic need that

the incentives will alleviate or that the project will represent a net economic benefit to the state and/or municipality (cf. CGS §§32-9r, 12-81(50)(b) & 60 and 12-217e(b)).

### Recommendation

There have been no claims for the Urban Jobs corporate tax credit. We recommend this tax credit be eliminated because the job creation thresholds are unrealistically high and there are similar tax credits offered such as the Job Creation and the Apprenticeship in Manufacturing, Plastics and Construction tax credit programs.

### **Additional Enterprise Zones**

The Connecticut General assembly approved legislation designating five new types of zones. In order to apply for one of these new zone designations, a municipality must meet certain specific qualifying criteria described below. We do not get data on these developments so therefore cannot perform independent analyses on them. These designations are:

1. Contiguous Municipality Zone (CGS §32-70(b)) - A municipality which is contiguous to an Enterprise Zone located in another municipality may, with the approval of the commissioner and the legislative body of the municipality containing the Enterprise Zone, designate one or more census tracts, or portions of such census tracts, as eligible for provision of Enterprise Zone level benefits. These designated census tracts must be immediately adjacent to an existing Enterprise Zone in the neighboring municipality. An eligible project taking place in such a designated area is eligible for the same benefits and subject to the same conditions as those projects qualifying for benefits in an Enterprise Zone in a Targeted Investment Community. Per statute, a municipality that designates such a zone under these conditions is not considered a Targeted Investment Community and no other incentive programs or benefits available within a Targeted Investment Community apply. The Town of Plainville has applied for and received such a designation.
2. Defense Plant Zone (CGS §32-56)- Any municipality with a former defense manufacturing plant which was vacant on the effective date of Substitute Senate Bill No. 481 may apply to the commissioner to provide Enterprise Zone level benefits to eligible business facilities locating in

that building. Approval of the zone designation will be subject to the commissioner determining that the economy of the municipality was severely impacted by a prime defense contract cutback. Such a determination would be made after a public hearing where information was presented supporting such findings. Such a determination would be effective for two years and may be renewed for another two years subject to another public hearing. An eligible project taking place in such a designated facility will be eligible for the same benefits and subject to the same conditions as those qualifying for benefits in an Enterprise Zone in a Targeted Investment Community. A municipality that designates a Defense Plant Zone will not be considered a Targeted Investment Community and no other incentive programs or benefits available within a Targeted Investment Community apply. The Town of Stratford has applied for and received such a designation. The Town of Cheshire has applied for this designation.

3. Manufacturing Plant Zone (CGS §32-75c(a)) - Any municipality with a population less than 20,000 that is contiguous to a Targeted Investment Community may request the commissioner approve the designation as manufacturing plants those properties located in a census tract or contiguous to such census tract provided that the census tract 1) is contiguous to a census tract in a Targeted Investment Community and has a low or moderate income housing project, 2) contains a facility of at least 180,000 square feet formerly used for printing or allied industries, 3) includes at least 100 acres of land that is vacant and zoned industrial or commercial and 4) has a boundary that consists of a portion of a railroad track and a stream. An eligible project taking place in a designated Manufacturing Plant Zone is eligible for the same benefits, and subject to the same conditions, as those qualifying for benefits in an Enterprise Zone in a Targeted Investment Community. A municipality that designates a Manufacturing Plant Zone will not be considered a Targeted Investment Community and no other incentives programs or benefits available in a Targeted Investment Community apply. The Town of Bloomfield has applied for and received such a designation.

4. Bradley Airport Development Zone (PA 10-98) - This zone establishes tax incentives for manufacturers and certain related businesses that build or substantially renovate facilities in the area and create new jobs. Enterprise Zone level benefits will be available to businesses



that manufacture, process or assemble raw materials or parts; perform manufacturing-related research and development; or significantly service, overhaul or rebuild industrial machinery and equipment. Warehousing and motor freight businesses can qualify for tax incentives if they can demonstrate their business is dependent on goods shipped by air, while service companies – including information technology companies – can also qualify for credits if they can demonstrate their business is related to the airport. The zone, located around Bradley International Airport, will include specified census blocks within the towns of East Granby, Suffield, Windsor and Windsor Locks. An additional airport development zone, Waterbury-Oxford, has been established recently around Oxford Airport. Airport Development Zone claims are included in the Enterprise Zone data provided by OPM to DECD, and is therefore included in the Enterprise Zone analysis above.

5. **Bioscience Enterprise Corridor Zone (PA 10-104)** – This zone is for eligible businesses that have not had more than three hundred employees at any time during the preceding twelve months and are engaged in bioscience, biotechnology, pharmaceutical or photonics research, development or production in the state. The definition of bioscience has been included for businesses engaged in the study of genes, cells, tissues and chemical and physical structures of living organisms. Enterprise zone level benefits will include certain businesses and commercial properties in certain census blocks, groups and tracts in Farmington, Hartford, Bristol and New Britain.

## **11. Enterprise Corridor Zones**

Enterprise Corridor Zones are located along Route 8 and Interstate 395. The benefits available in an Enterprise Corridor Zone are the same as in an enterprise zone, and subject to the similar qualifying terms and conditions. To obtain the enhanced 50% level of corporate credits, the hiring level for new full time positions remains at 30% of those positions filled by residents of the community in which the project takes place who are JTPA eligible. The communities located in enterprise corridor zones are Ansonia, Beacon Falls, Derby, Griswold, Killingly, Lisbon, Naugatuck, Plainfield, Putnam, Seymour, Sprague, Sterling, Thompson, Torrington and Winchester. Municipalities in the Enterprise Corridor Zones are not classified as Targeted Investment Communities and are therefore not eligible

to extend Urban Jobs Program benefits. Benefits for eligible projects in an Enterprise Corridor Zone are identical to those in an Enterprise Zone.

### Eligible Applicants

Eligible businesses are defined by their NAICS code.

- For Urban Jobs Program benefits, in a targeted investment community but outside of an enterprise zone, ONLY manufacturers, research associated with manufacturing (NAICS sectors 31-33 inclusive) and distribution warehousing (new construction/expansion only) may qualify under the standard threshold guidelines. Certain service sector companies defined by NAICS code may be eligible for benefits based on a graduated scale subject to meeting certain thresholds of capital investment and job creation. An eligible applicant must occupy a facility that meets the criteria as defined below under Eligible Projects.
- In an Enterprise Zone, in addition to manufacturers and distribution warehousing (new construction/expansion only) certain service sector firms (defined by NAICS code) may qualify.

### Applicant Conditions

If the business occupant leases the qualifying facility (defined below), the lease term must satisfy certain minimum requirements as follows:

- In a Targeted Investment Community (Urban Jobs Program), the lease must be for an initial minimum term of five years with the option to renew at the request of the lessee for an aggregate term of not less than ten years or the lease must have the option to purchase the facility after the first five years.
- In an Enterprise Zone, the term of the lease for a business occupant is generally the same as for a facility located in a targeted investment community (cf. urban jobs program). However, for those companies with an average of ten or fewer employees, the lease may be for an initial minimum term of three years with an option to renew at the request of the lessee for an aggregate term of not less than six years or the lease must have the option to purchase the facility after the first three years.

### Eligible Projects

The project eligibility for both targeted investment communities (urban jobs) and enterprise zones is defined in CGS §32-9p. Benefits accrue to projects whose central activity revolves around capital improvements to land and/or building. A real estate transaction has to take place in order to qualify the facility that will be occupied by the eligible business. The transaction must meet one of the following criteria:

- Substantial renovation of an existing facility involving capital expenditures of at least 50% of the assessed value of the facility prior to its renovation. All renovation activities must be permitted by the town in order for their value to be recognized. The only costs that matter in meeting the 50% test are those costs that were incurred for work that required the use of a building permit.
- Construction of a new facility. The expanded portion of an existing facility is considered new construction.
- Acquisition of a facility by new owners after having been idle for at least one year prior to acquisition. Within an enterprise zone, the idleness requirement does not apply to companies with an average of five or fewer employees in the six months preceding acquisition of the facility, and is at least six months for businesses that have an average of between six and nineteen employees in the preceding six months. A one year idleness is required if there are more than nineteen employees involved.

Idleness is determined if the facility was unused, unoccupied or substantially underutilized for the appropriate period prior to being acquired for productive use. A community may request that the commissioner waive the idleness requirement for a facility for a specific client. The enterprise zone coordinator must sign the idleness waiver.

The data on all these additional Enterprise Zones and Enterprise Corridor Zone programs are included in the Enterprise Zone data provided to DECD by OPM, and therefore these programs are incorporated into the Enterprise Zone analysis above.