



Engage. Retain. Recruit.

February 26, 2020

Commerce Committee
Legislative Office Building
300 Capitol Avenue
Hartford, CT 06106

**Re: Senate Bill 9 (LCO No. 614): An Act Establishing the JobsCT Tax Rebate Program
House Bill 5007 (LCO No. 616): An Act Concerning the Small Business Express Program**

Dear Senator Hartley, Representative Simmons, Senator Martin, Representative Cummings and members of the Commerce Committee:

AdvanceCT appreciates the opportunity to submit this letter in support of measures that will function as important tools in Connecticut's business retention and recruitment toolkit. We believe the proposed bills reflect best practices in economic development and are well-aligned with the state's inclusive economic action plan.

AdvanceCT, until recently known as The Connecticut Economic Resource Center, is a business-driven nonprofit with a mission to grow the Connecticut economy through business formation, retention, recruitment and expansion. Bringing business, government, higher education and nonprofits together to create high-impact solutions, AdvanceCT has committed to making Connecticut a leading state in inclusive economic growth and job creation in the coming years. We work in close partnership with the Department of Economic and Community Development.

Senate Bill No. 9

States are increasingly examining the return on investment of financial incentives and using this data to adjust the components of their programs. Connecticut has been recognized for its legislation to enable this type of examination ([Pew Charitable Trusts](#)). The proposed JobsCT Tax Rebate Program is a good example of a data-based incentive program.

The JobsCT Program incorporates a number of other best practices in incentive structuring. A 2019 McKinsey & Company study delineates these best practices to include:

- Incentives structure is based on analysis of return on investment
- Incentives are tied to specific, measurable results
- Incentives are aligned with the overall economic development plan
- Incentives provide for ongoing performance measurement

(McKinsey & Company: Gonzales, Kerlin *et al.*, "How State and Local Governments Win at Attracting Companies." September, 2019.)

We note that the JobsCT Program contains all of the above best practices components:

- It is based, in part, on an analysis of the investment per job created, and is forecast to represent between \$5,000 and \$10,000 per job created, in contrast to the previous investment level of an average of over \$18,000 per job (Department of Economic and Community Development analysis)

Implementing high impact and inclusive economic development solutions for Connecticut.

- It ties incentives to specific measurable targets such as the numbers of jobs created and the wage levels of those jobs, requiring companies to report results and meet eligibility goals
- It supports the state's inclusive economic action plan in a number of ways. For example, the JobsCT Program targets industries like advanced manufacturing, financial services, insurance, bioscience and software/data, which are aligned with the economic action plan
- In addition, the JobsCT Program supports the plan's inclusivity and equity by encouraging investment in opportunity zones and distressed municipalities, both key geographies for focus under the action plan
- Inclusivity is also promoted under the JobsCT Program in that it provides for flexibility in wage levels for groups such as the disabled, chronically unemployed, those with criminal records and others, consistent with the action plan's approach
- Finally, the JobsCT Program provides for ongoing performance measurement. Businesses must submit data on the number of new FTEs and their wages. The DECD Commissioner, in consultation with the Department of Revenue Services, State Comptroller and Auditors of Public Accounts must report annually on the expenditures of the program and the number of jobs created and maintained

In sum, we believe the JobsCT Tax Rebate Program as proposed reflects current best practices in the design, use and measurement of incentives.

House Bill No. 5007

The proposed Small Business Express Program (EXP) redesign is also well-aligned with the state's inclusive economic action plan. The action plan calls for promoting small business access to credit through a loan guarantee program with particular focus on women, minority, veteran and disabled-owned enterprises by providing dedicated technical assistance, training and sources of capital.

In addition, we note that the EXP was created as a temporary program during the Great Recession when access to credit was restricted. Because small business credit is now widely available, and because credit decisions are more appropriately made by private sector experts, AdvanceCT believes that it is appropriate for the state to work with financial institutions to provide capital to disadvantaged business owners as outlined above.

In summary, we are supportive of both the proposed JobsCT Tax Rebate Program (SB 9) and Small Business Express Program (HB 5007) as they effectively leverage the state's resources and incorporate economic development best practices, and will help achieve inclusive economic growth.

Sincerely,



Peter L. Denious
President & CEO