



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

**TESTIMONY PRESENTED TO THE COMMERCE COMMITTEE
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Testimony Supporting Senate Bill No. 9

AN ACT ESTABLISHING THE JOBS CT TAX REBATE PROGRAM

Senator Hartley, Representative Simmons and distinguished members of the Commerce Committee, thank you for the opportunity to offer written testimony in strong support of Senate Bill No. 9, An Act Establishing the Jobs CT Tax Rebate Program.

Economic growth is essential in improving the lives of our residents as well as in maintaining a sound state budget. State policy must be calibrated to strengthen and expand businesses and create jobs. The personal income tax and the pass-through entity tax, both of which are tied to jobs and employment, account for more than fifty per cent of our state revenue. As you know from our last Fiscal Accountability Report, state revenues are growing at about 3-3.5% while expenditures are growing at 7%. Our ability to afford our public infrastructure and to support education, municipal aid, and health and human services is tied to smart and strategic economic growth.

While our private sector has recovered all the jobs lost since the Great Recession, we are projecting slower growth in the years ahead. The Governor believes that we should do all that we can to incentivize job creation, consistent with fiscal responsibility. This proposal is consistent with that philosophy. This proposal is an outcome or performance-based incentive.

This bill will establish a program for tax rebates to eligible employers who: (1) create a minimum of 25 new full-time employees (FTEs), (2) with salaries that are at least \$37,500 or 85% of the median household income of the municipality where the jobs will be located, whichever is higher, and (3) are in an industry that is a Jobs CT focus industry. The tax rebates will be equal to 25% of the withholding taxes under the personal income tax from the new FTEs for 5 to 7 years.

In addition, if an employer locates and grows new FTEs in a Connecticut Opportunity Zone or a Distressed Municipality, the employer is eligible for the equivalent of 50% of the withholding taxes over the same time period.

Under the JobsCT program, the rebate per job, per year will be at least \$1,000 and will be capped at \$5,000. The JobsCT program will directly pay the rebate to the employer and will not rely on tax credits, like some other state tax programs.

The incentive will be targeted to employers in Jobs CT focus industries: Aerospace/Defense; Clean Energy/Renewables; Corporate Headquarters; Distribution and Logistics; Entertainment and Digital Media; Financial Services; Information Technology; Life Sciences; Manufacturing; and R&D Facilities.

This program will provide a simple, transparent, targeted, earn-as-you-grow incentive program for businesses to expand in or relocate to Connecticut. It will be a clear and simple incentive for companies to evaluate when considering growing in or re-locating to Connecticut. The benefits are performance-based – earned as jobs are created and maintained over time, which eliminates any credit or counterparty risk. The benefits are targeted – industries and focus areas are strategic and build on our strengths of today and the ecosystems we want to grow in our economy of tomorrow. There is no “winner-picking” and all eligible employers will benefit.

It is anticipated that this proposal will allow for a more strategic use of our capital bond dollars. Previous economic incentives required an average of \$200 million in bonding per year. With proposals such as this, along with other strategies at the DECD, we expect to be able to retarget some economic development bond dollars to other vital areas.

Under previous incentive programs, the state paid as much as \$18,000 per job. We anticipate the cost per new job in the focus areas to be between \$5,000 and \$10,000, depending on FTE wage. The focus on distressed municipalities and Opportunity Zones will help drive investment and job creation to areas of the state that will have the most impact.

The additional requirements for companies to pay their employees \$37,500 or 85% of the median household income of the municipality where the jobs will be located, whichever is higher, is designed to ensure we are focused on raising incomes and not incentivizing low paying jobs. Additionally, the program’s \$1,000 rebate minimum ensures all companies that are relocating to or expanding in the state receive a minimum benefit, which ensures we stay competitive with neighboring states.

We cannot expect to be able to make the kinds of investments that we all want in education, health care, environmental protection and infrastructure improvement without a vibrant, growing economy. Therefore, a central goal of this Administration must be the expansion of businesses and growth in jobs.

On behalf of Governor Lamont and his office, OPM, DECD, and DRS look forward to engaging with the committee on this legislation to consider revisions that would improve the functioning of the program and assure that the principles of simplicity and transparency are met.

I respectfully request that the committee support this bill. I would like to again thank the committee for the opportunity to present this testimony.