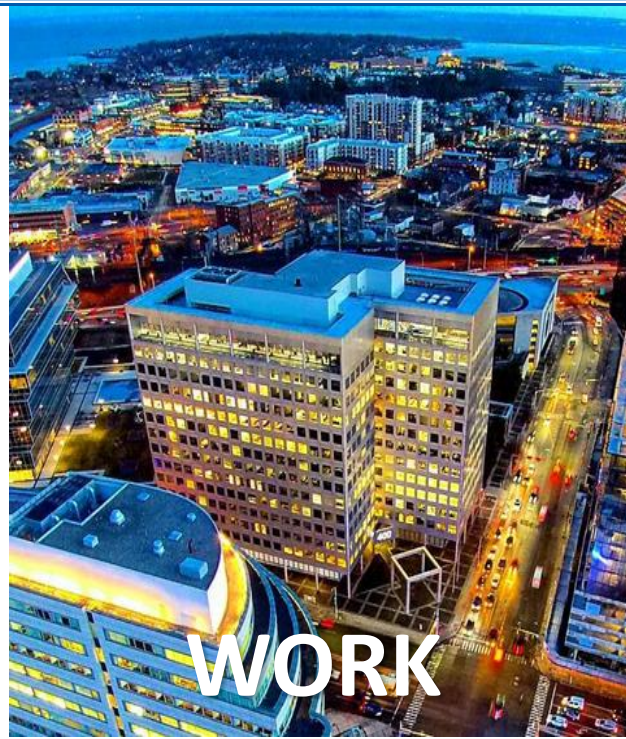




LIVE



WORK



PLAY

DECD Testimony in Support of:

HB 6440 An Act Establishing the JobsCT Tax Rebate Program
HB 6467 An Act Concerning the Small Business Express Program

David Lehman, Commissioner
Department of Economic and Community Development

- 
- ✓ JobsCT Tax Rebate Program
 - ✓ Small Business Express 2.0

A new tool to facilitate private sector job creation:

- **Transparent:** A clear, simple incentive for companies to evaluate when considering growing in or relocating to Connecticut.
- **Earn-As-You-Grow:** The rebate is earned as jobs are created and maintained over time, which mitigates the state's exposure to credit/business risk.
- **Targeted:** Focus industries that build on our strengths of today as well as the ecosystems we want to grow in our economy of tomorrow.

Financial
Services

Insurance

Manufacturing

Clean
Energy

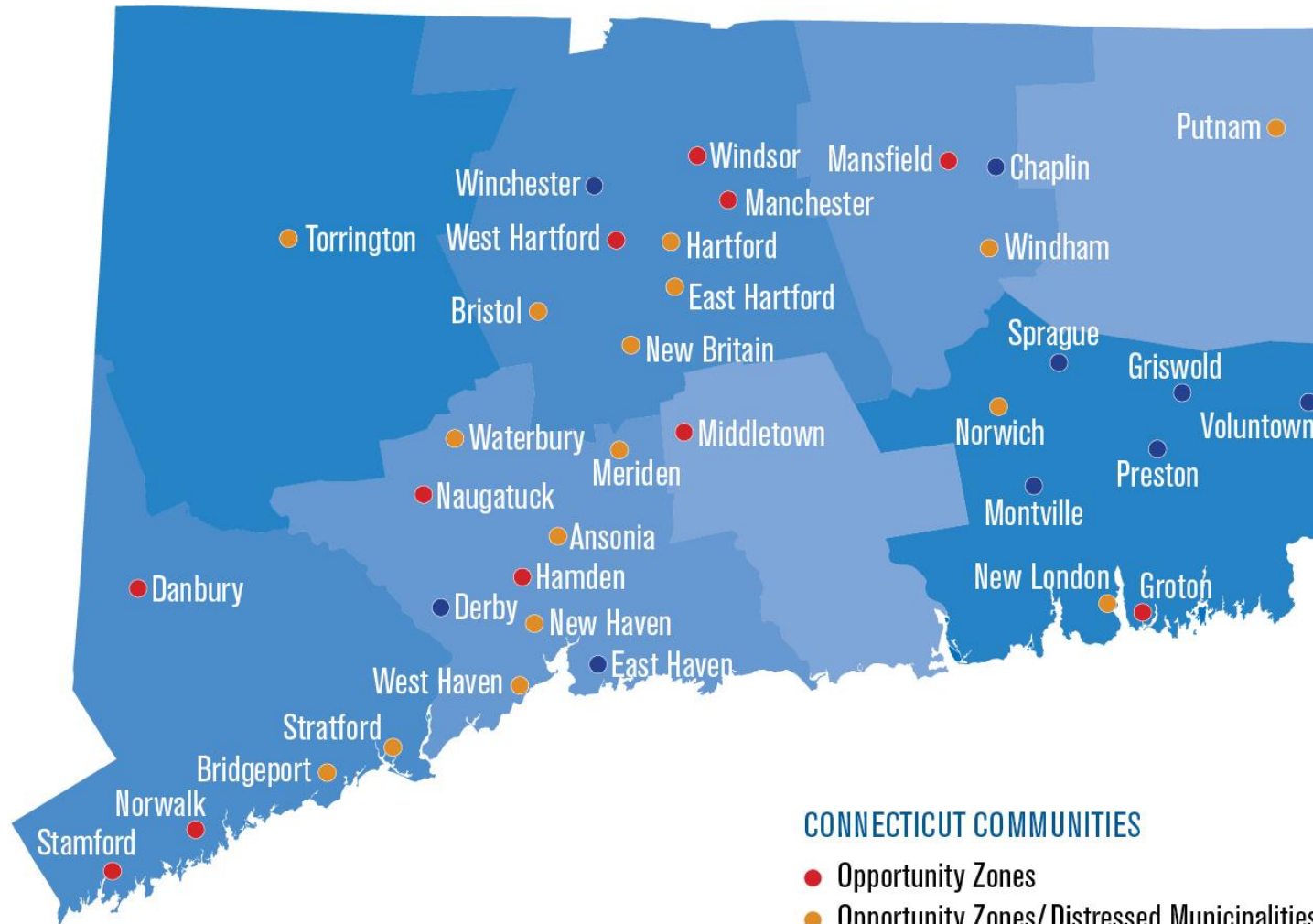
Bioscience

Technology

Digital
Media

- Eligible employers who meet the specified requirements below will be rebated 25% of the withholding taxes from net new employees that are not employees hired to replace positions that existed after January 1, 2020.
- Employers that locate or grow in a Distressed Municipality or Opportunity Zone will be eligible for a 50% rebate.
- Program requirements:
 - Create and maintain a minimum of 25 new jobs through the duration of the program.
 - Salaries must be 85% of the median household income of the municipality where the jobs will be located, with a minimum annual salary of \$37,500.
 - Business must be in a JobsCT focus industry.
 - Rebate per job, per year will be floored at \$1,000 and capped at \$5,000.
 - Base incentive rebate activated in years 3 through 7, with years 8 and 9 discretionary.

Municipalities and Opportunity Zones



CONNECTICUT COMMUNITIES

- Opportunity Zones
- Opportunity Zones/Distressed Municipalities
- Distressed Municipalities

JobsCT:

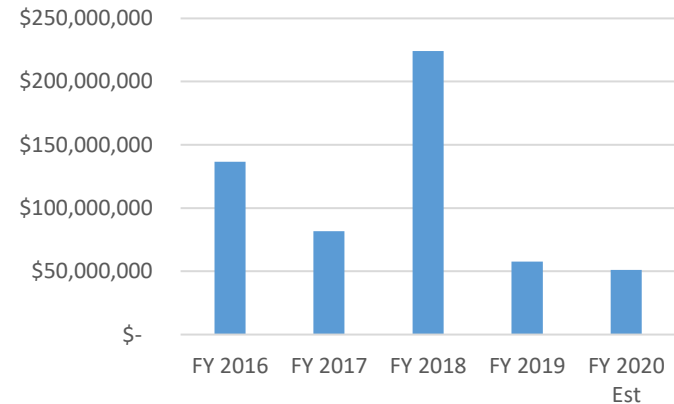
- Financial Assistance per Job: Estimated between \$5,000 and \$10,000
- Fiscal Year Cap: \$40M
- Annual Bonding Requirements: \$0

Other states with performance-based incentives:

- Massachusetts
- New York
- Missouri
- North Carolina
- South Carolina

MAA/First Five:

- Financial Assistance per Job: Avg. \$18,992 (DECD 2019 Annual Report)
- Annual Cap: None
- Annual Bonding:



- **Background:** EXP was created to help stimulate the economy after the Great Recession when financial institutions were not lending. It was never meant to be a long-term program, rather a bridge until the financial sector regained its footing.
- **Goal:** Collaborate with the CT lending community to incentivize greater capital access for businesses to grow with a special focus on minority, women, veteran, and disabled-owned businesses.

Two-pronged approach

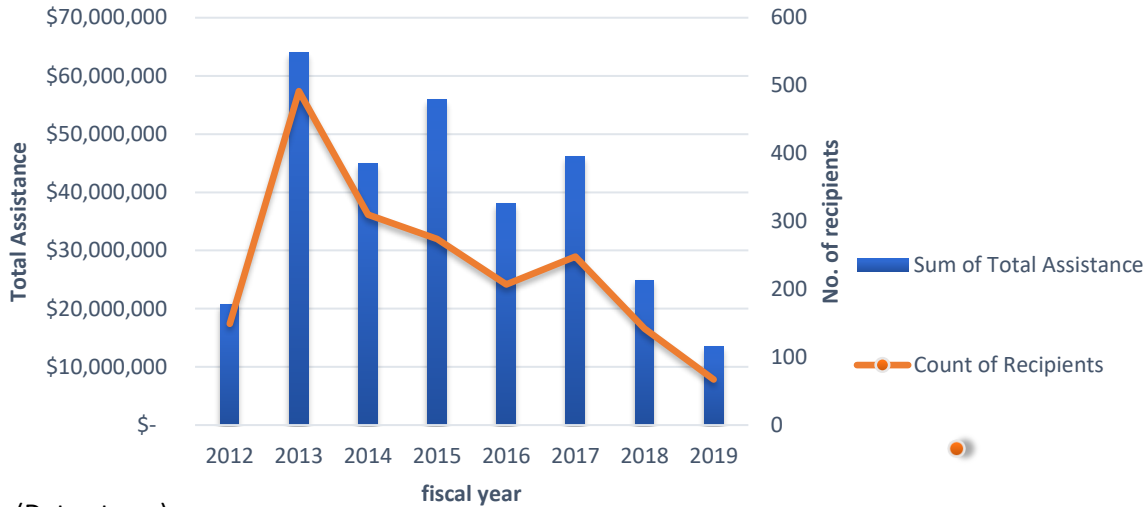
- Partner with CT Innovations (CI) to leverage their existing Capital Access for Business (CAB) loan guarantee program.
 - Allow CI the flexibility to use a third-party provider to establish this program, similar to Massachusetts and Rhode Island.
- Additionally, develop a process for expanding the state's direct lending and access to capital infrastructure through partnering with Connecticut Community Development Financial Institutions (CDFI).

Examples of potential partners/providers include:



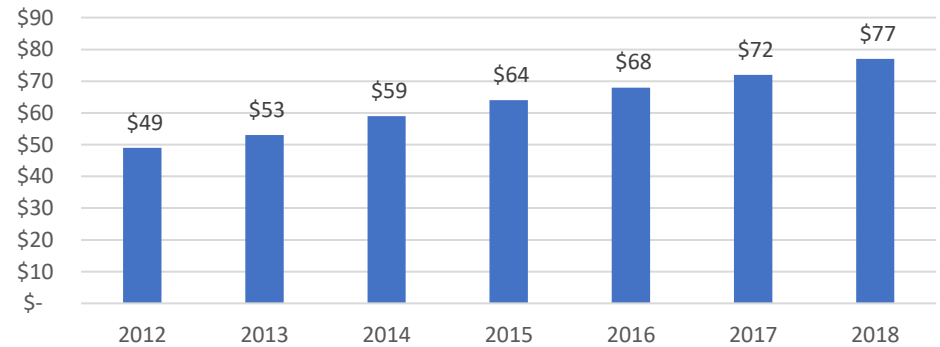
Why Small Business Express (EXP) 2.0?

EXP Contract Trends by State Fiscal Year



(Data.ct.gov)

Bank Lending in Billions (Real Estate & C&I)



(federalreserve.gov)

Bank Lending Up 64%

Benefits:

- Partner with the private-sector to increase lending capacity for small business which may not be able to obtain traditional financing.
- Leverage CT Innovations' existing CAB program.
- Better aligned state resources for greater efficiency with a customer-centric approach.
- Implement with existing bonding resources while significantly lowering risk and ongoing funding needs.
- Superior leverage factor: 20x leverage vs. negative leverage in existing program.
- Increase access to capital for underserved and underrepresented communities who face barriers accessing conventional lenders due to their limited credit history and at times low levels of borrowing they seek.
- Targeted investment toward market gaps.

Funding over 4 year period:

1st Loss Guaranty CAB Program

- \$1.4M operating cost
- \$1.7M contribution to Loan Guaranty Fund to support \$20M in deployment

Direct Lending and Technical Assistance with Partners:

- \$6M annually over 4 year period

Total Cost = \$27.1M

Appendix 1: JobsCT Example 1

Company in focus area creates 25 jobs

- Salary per job: \$100,000
- Income tax rate: 5.5%

Net new tax revenue over seven years: \$962,500

- State's portion: 75% \$790,625 or 50% \$618,750 for Distressed Muni/OZ
- Company rebate: 25% \$171,875 or 50% \$343,750 for Distressed Muni/OZ

New Tax Revenue	\$137,500	\$137,500	\$137,500	\$137,500	\$137,500	\$137,500	\$137,500	\$962,500
Year	1	2	3	4	5	6	7	Total

State revenue	\$137,500	\$137,500	\$103,125	\$103,125	\$103,125	\$103,125	\$103,125	\$790,625
Company rebate (25%)	\$0	\$0	\$34,375	\$34,375	\$34,375	\$34,375	\$34,375	\$171,875
Year	1	2	3	4	5	6	7	Total

State Revenue	\$137,500	\$137,500	\$68,750	\$68,750	\$68,750	\$68,750	\$68,750	\$618,750
Company Rebate (50%)	\$0	\$0	\$68,750	\$68,750	\$68,750	\$68,750	\$68,750	\$343,750
Year	1	2	3	4	5	6	7	Total

**Actual time of rebate: Year 4, Q1*

Appendix 2: JobsCT Example 2

Company in focus area creates 25 jobs

- Salary per job: \$60,000
- Income tax rate: 5.5%

Net new tax revenue over seven years: \$577,500

- State's portion: 75% \$452,500 or 50% \$371,250 for Distressed Muni/OZ
- Company rebate: 25% \$125,000 or 50% \$206,250 for Distressed Muni/OZ

New Tax Revenue	\$82,500	\$82,500	\$82,500	\$82,500	\$82,500	\$82,500	\$82,500	\$577,500
Year	1	2	3	4	5	6	7	Total

State revenue	\$82,500	\$82,500	\$57,500	\$57,500	\$57,500	\$57,500	\$57,500	\$452,500
Company rebate (25%/min. \$1k per year per job)	\$0	\$0	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$125,000
Year	1	2	3	4	5	6	7	Total

State Revenue	\$82,500	\$82,500	\$41,250	\$41,250	\$41,250	\$41,250	\$41,250	\$371,250
Company Rebate (50%)	\$0	\$0	\$41,250	\$41,250	\$41,250	\$41,250	\$41,250	\$206,250
Year	1	2	3	4	5	6	7	Total

*Actual time of rebate: Year 4, Q1