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# Economic Competitiveness in Connecticut

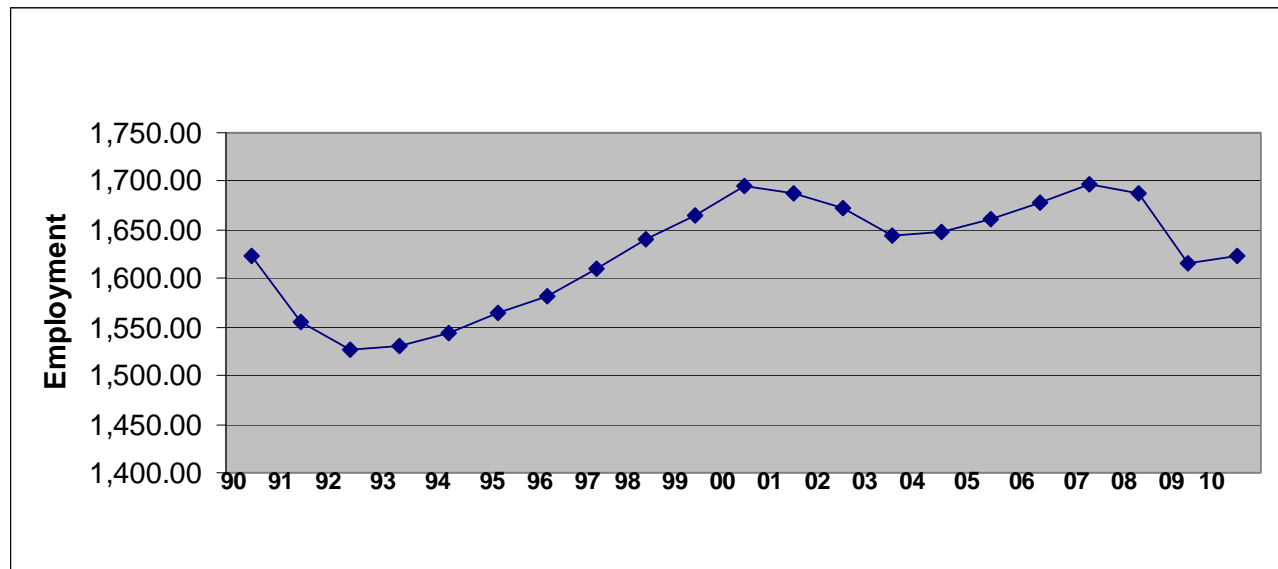
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Commission on Enhancing  
Agency Outcomes

November 22, 2010

# The Economic Picture in CT

- No overall job growth over the past 2 decades
- About 1.62 million jobs in 1990; same in 2010



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# Economic Picture in CT:

## Not all Bad . . .

- UConn's CCEA reports that from 1999-2009:
  - Some **losses** in professional/ high earning jobs like CEOs, doctors, lawyers (almost **17,000**)
  - Income losses of **\$1.9 billion**
- **BUT**
  - **Gains** in employment of almost **51,000** in professional/high earning jobs like nurses, teachers, financial services, computer technology, engineers, and physical therapists
  - Income growth of **\$4.8 billion**

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# Connecticut's Economic Rankings

- Depends on Categories Ranked
  - Higher on Technology and Innovation (2008)
    - 6<sup>th</sup> in New Economy Index (Kaufmann)
    - 7<sup>th</sup> in State Technology and Science (Milken)
  - Recent UConn study ranks CT 8<sup>th</sup>-lowest in per-unit manufacturing costs
  
  - Much Lower on Regulatory Environment and Costs
    - 45<sup>th</sup> in Business Costs (Forbes, Milken) 47<sup>th</sup> (CNBC)
    - 40<sup>th</sup> in Regulatory Environment (Forbes)
    - 23<sup>rd</sup> “Business Friendly” (CNBC)

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# Economic Competitiveness

- **Virginia** consistently in top 10 on rankings:
    - Economic growth potential
    - Best business climate
    - Employment leader
    - Education climate (CT ranks high here, too)
    - Workforce health and safety (CT high here, too)
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# Economic Competitiveness

- Virginia placed 2<sup>nd</sup> in nation in ***Enterprising States***, a 2010 overall rating by U.S. Chamber of Commerce and national Chamber Foundation
- **UConn study** – Virginia 3<sup>rd</sup>-lowest costs in manufacturing

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# Enterprising States Study

- **Conclusion: The States have the Power to Lead the Jobs Imperative**
- **Ultimately, states and localities are best qualified to meet the jobs imperative**

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# Enterprising States Study

- Evaluated what states will need in post recession to thrive and create (high quality) jobs:
  - Entrepreneurship and innovation
  - Exporting and international trade
  - Infrastructure development
  - Workforce development and training
  - Taxes and regulation reform



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# What does Virginia have ... that we don't (mostly)?

- Created 135,000 jobs in professional and technical area – growth of 20% from 2002
- Ability to execute successful initiatives
- Work with individual businesses in three areas:
  - New businesses
  - Technology-based
  - Industry cluster development

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# What does Virginia have ?

- Virginia has higher incomes but a slightly below average cost-of-living – Connecticut has high income but high cost of living
- Cost of business is lower in VA – in addition to labor costs, a key expense is **energy**:
  - Virginia's total energy costs in 2008 were slightly lower than the national average
  - Connecticut's were almost 35% higher
  - Gap worse if just electricity costs – VA's 18% lower; CT's 82% higher

# What's Virginia Got that CT Doesn't?

- Lower health care costs:
  - Average premium nationwide for family coverage in 2008 was \$12,298
  - CT's was \$13,788 – almost 10% higher than national average – 5<sup>th</sup>-highest
  - VA's was \$11,935 –about 3% lower than average and 12% lower than CT's

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# What else does Virginia have?

- Developed a streamlined permitting process
- One-stop service for new businesses and business who wish to expand
- A representative (case manager) who works with company to get what they need
- Business Development Approach that focuses on key economic areas and international trade
- Advanced e-government services (VA ranks 3<sup>rd</sup> – CT 37<sup>th</sup> )
- A performance assessment of services provided to businesses in VA – CT does not

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# Job Creation: Primary

- CT Legislation in 2010 – addressed programs and financing for business:
  - \$15 million Small Business Loan Program -- up to \$500,000 per business **DECD**
  - \$5 million pre-seed for innovative concepts **CII**
  - Angel Investor Tax credit for investments in bioscience, information technology, green technology **CII**
  - Sales Tax exemption for machinery, supplies and fuel used in renewable and clean energy industries **DRS**

# 2010 Legislation – Program/Financing

- Expands Job Creation Tax Credit program to **small business (DECD)**
- Refocuses and expands **DECD** attention and financing directed to **exporting**
- Expands **enterprise zones** – UCHC and Bradley International

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# Legislation – Economic Development Organizations

- Statutorily (re) created the **Connecticut Competitiveness Council** – business, labor, higher education
- **Permit reform** legislation that shortens environmental regulatory permitting
- Establishes a **permit ombudsman** within DECD

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# Status of Implementation of Legislation

- As of November 1, 2010:
  - ❑ CII has qualified 13 businesses as investments for Angel Investor Tax Credits
  - ❑ Six angel investors have claimed tax credits for investments and six have reserved tax credits
  - ❑ DECD has hired the permits ombudsman but currently no projects are being expedited
  - ❑ Not all appointments to Competitiveness Council have been made, and Council has not met



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# Business Development: Organization

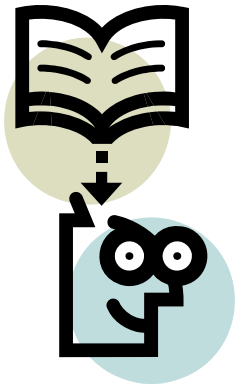
## **BUT**

- The way government is structured to provide services and funding to businesses was left untouched
- Several bills (sSB 308, SB 160, SB 327, proposed bill 79) introduced in 2010 but none passed

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# Business Development: Organization

- Still a patchwork
- No single point that serves as a broker
- All agencies operating programs but little attention on assisting business to identify or navigate them
- Each agency markets its own programs – when budget is tight – all suffer



# Funding

## Federal:

SBA

## State:

DECD

DRS (tax credits)

## Quasi publics:

CDA

CII

CHEFA

CHFA

## Regional:

Regional Revolving Loan Funds (13)

## Energy Funding:

CEEF

CCEF

OPM

ECLP (DECD/CHIF)

## Workforce Development/Training

CT DOL

OWC

Workforce Investment Boards

CETC

Community Colleges

## Other Ec Dev Organizations/Assns:

CBIA

Cluster Organizations (7 active)

Chambers of Commerce (approx. 90)

Regional Planning Organizations

Business Council of Fairfield County

Metro Hartford Alliance

Women's Business Development Center

Angel Investors' Forum

Entrepreneurial Women's Network

Ct. Economic Development Assn.

Regional Growth Partnership (South Central CT)



## Businesses Accessing these programs

## Technical Asst:

DECD

CCT (tourism)

ConnSTEP

CERC (Business Resource Center)

CCAT

SBDC(5)

US DOC Export Asst.

SCORE

ITBD (@CCSU)

PTAP (@ SECTER)

Connecticut Business Incubator Network (7)

Institute for Sustainable Energy (@ECSU)

Ct Center for Entrepreneurship and Innovation (@UConn Business)

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# Business Development: Organization

- Difficult for businesses to navigate
- Fragmented program delivery
- Duplicative and expensive

# Business Development – State’s Organizational Structure

- **DECD = 117**
  - Executive – 3
  - Managers -15
  - Community/Economic Development (&film) – 52
  - Administrative/support (engineer, accounting, fiscal, IT)- 47
- **CDA= 26**
  - Executive - 11
  - Business Development - 6
  - Support – 9
- **CII = 25**
  - Executive - 1
  - Investments-10
  - External/marketing-6
  - Administrative/support-8
- **Clean Energy Fund -19 (also in CII)**
  - Executive - 1
  - Energy projects - 12
  - Admin/support - 6
- **CHFA = 133**
  - Executive - 3
  - Asset management – 34
  - Finance – 27
  - Housing -3
  - Underwriting -27
  - Support (legal, IT) -39
- **CHEFA= 22**
  - Executive – 5
  - Project Dev. -17

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# Business Development

- **Address** the organizational piece
  - **lessen** the economic development **patchwork**;
- **Require an online single point of entry for business**

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# Organizational Options

## OPTION ONE:

- ❑ Move business development part of DECD to a merged quasi-public;
- ❑ DECD no longer operate financial assistance;
- ❑ 16 business development staff from DECD would serve as case managers/ brokers to businesses, but operate no programs;
- ❑ Case managers would be to provide **technical assistance to** businesses – could be organized by industry cluster area, with special emphasis on exporting activity and small business

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# Organizational Options

## OPTION TWO:

- All Agencies and programs merged and operated into **one quasi-public** – still operating same programs -- as well as current DECD programs-

### But

- Would be **single entity offering state financial assistance** to businesses
- Could be **bureaus of a single quasi-public** but with executive and administrative staff reduced
- DECD Business Development Staff would serve as business case managers in either scenario



# Option Two: One Merged Quasi-Public

- Current total staff of 6 Economic Development-type agencies – 342
  - Currently 21 Executive level staff and 15 managers= 36
    - If limited to 5% = 17 positions **Saves 19 positions**
  - Currently 109 administrative support type positions
    - If limited to 20% = 69 positions **Saves 40 positions**