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HB 6369, AAC ECONOMIC DEVELOPMENT AND JOB CREATION

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You asked us to summarize HB 6369, AAC Concerning Economic Development and Job Creation.

SUMMARY

The bill reorganizes the state's economic development agencies and programs. It consolidates the quasi-public Connecticut Development Authority (CDA) and Connecticut Innovations, Inc. (CII) and renames this new quasi-public agency, the Connecticut Economic Innovations Authority (CEIA). In doing so, it transfers CDA and CII's duties to CEIA.

The bill transfer to DECD several programs run by other agencies. These include CDA's sales and use tax exemption program, several Office of Workforce Development (OWC) job training and technology development programs, and most Connecticut Commission on Culture and Tourism's (CCCT) programs. The bill eliminates CCCT.

Lastly, the bill designates DECD as the state's lead economic development agency and assigns new duties and programs to it. It also designates the DECD commissioner chairperson of the CEIA board and charges her with advising the governor and the legislature about economic and community development.

The bill makes many technical conforming technical changes.

Most of the bill's provisions take effect July 1, 2009, but those transferring (1) the OWC programs to DECD take effect upon passage and (2) CDA and CII's powers and duties to CEIA take effect October 1, 2009.

DECD

Powers and Duties—§§ 1-2

The bill designates DECD as the state's lead agency for economic and community development and specifies its duties, which are very similar to those the DECD commissioner and CCCT have under current law. In addition to these duties, the bill requires DECD to (1) provide a single point of contact for state financial and other business assistance and (2) support small business development in the state.

While the bill retains some of the commissioner's current powers and duties, it assigns most to the department. It also requires the commissioner to (1) coordinate economic development policy between the department, other state agencies, CEIA, and other entities; (2) chair the CEIA's board of directors; and (3) advise the governor and General Assembly concerning economic and community development.

It eliminates the commissioner's explicit duty to:

1. serve as a member of the Committee of Concern for Connecticut Jobs;
2. advise and cooperate with municipalities, persons, and local planning agencies in the state to promote coordination between state and municipal plans and development;
3. appoint assistants, experts, technicians, and clerical staff necessary to carry out the department's purposes;
4. contract with other consultants and assistants for financial, technical, or other assistance and advice;
5. acquire or lease facilities outside the state;
6. inform and advise the governor and propose legislation concerning using state resources and coordinating federal and state activities to assist and solve economic development problems;

7. prepare and review model ordinances and charters relating to industrial and commercial development;
8. maintain an inventory of federal assistance programs for defense conversion projects and act as a clearinghouse and referral agency for these programs;
9. reimburse any DECD employee for reasonable business expenses, with the administrative services commissioner's approval;
10. assist in resolving solid waste management issues;
11. develop and implement the Connecticut Economic Information System Steering Committee; and
12. serve as an information clearinghouse for various public and private business assistance programs and identify micro businesses that could benefit from state or private assistance.

The bill also eliminates an obsolete provision requiring the commissioner to plan and develop an economic and community development reorganization plan.

Transfer of CCCT Programs and Duties— §§ 1, 208

The bill eliminates the 35-member CCCT and transfers most of its programs and duties to DECD. In doing so, it designates DECD as the successor to CCCT and those arts, culture, and tourism organizations CCCT replaced in 2003.

Grant Programs to Promote Collaborations Between Universities and Industry— §§ 3, 82

The bill establishes two DECD grant programs to support collaborations between businesses and universities that are identical to those administered by OWC. DECD must establish both programs within available appropriations.

Collaborative Research Applications. The first program funds grants to colleges and universities, technology-focused organizations, and businesses that promote collaborative research applications between industry and higher education. The grants are for (1) improving technology infrastructure by developing shared-use laboratories and equipment for businesses and colleges; (2) matching funds provided for joint projects between an industry, a technology-focused organization, or a university; and (3) developing a shared-use nanotechnology laboratory in one or more sites in the state.

Commercialization of University Research. The second program is designed to promote the commercialization of university research. Its grants may be used by universities or businesses to (1) fund technical and commercial feasibility analyses for early stage discoveries at universities, (2) provide matching support to smaller colleges and universities to contract with independent tech-transfer organizations, and (3) provide technical assistance to help companies secure SBIR awards in nanotechnology-related applications.

OWC Programs— §§ 4, 81-82, 162

The bill transfers, from OWC to DECD, the jobs funnel, small business innovation research, film-industry, and nanotechnology programs. It eliminates (1) OWC's duty to provide technical assistance to applicants developing small business innovation research programs and (2) grant program to support nanotechnology initiatives.

In transferring the film industry training program from OWC to DECD, the bill also adds the education commissioner to the list of agencies consulted under the program.

Economic Development Services Portal— § 5

The bill requires the DECD commissioner to centralize and streamline the way in which individuals and businesses research, inquire about, and apply for economic development assistance. She must establish (1) a web portal for information concerning all of the state's economic development programs, (2) a single point-of-contact for any entity seeking economic development assistance from a state or quasi-public agency, and (3) in conjunction with the CEIA, a common application form and process for financial assistance requests.

CEIA

Organizational Structure—§ 6

The bill establishes CEIA as quasi-public agency, like CDA and CII. The bill creates a 12-member board to govern CEIA that, as Table 1 shows, closely resembles CDA's.

Table 1: Comparison of CEIA, CDA, and CII Boards

<i>Appointing Authority</i>	<i>CEIA</i>	<i>CDA</i>	<i>CII</i>
Statute	DECD Commissioner, Treasurer, OPM Secretary (or their designees)	Same CEIA	DECD Commissioner, Higher Education Commissioner, and OPM Secretary (or their designees)
Gubernatorial	Five members	Four members with expertise in financial lending or developing commerce, trade, and business	Eight members with expertise in innovative technologies and technological processes
House Speaker	One member	One member	One member
Senate President Pro Tempore	One member	One member	One member
House Minority Leader	One member	One member	One member
Senate Minority Leader	One member	One member	One member
Total Members	12 members	11 members	15 members

The bill imposes no experiential requirements for CEIA board members. The other terms, conditions, and requirements for serving on the CEIA board are largely the same as those for serving on the CDA board.

The bill designates the DECD commissioner as chairperson of CEIA board's. Under current law, the governor appoints the chairs of CDA and CII's board, subject to legislative approval. CEIA's members must annually elect the vice chairperson, as does CDA's board. (CII's board must annually elect a secretary and may elect other officers at it sees fit.)

The powers and duties of CEIA's board are largely the same as those of CDA and CII's, including appointing the authority's executive director (see below).

The bill transfers the CII board's power to approve technology and venture capital related applications to CEIA. In doing so, it drops the requirement that the CEIA board create a finance committee to perform this task (see § 38 and §42).

Statutory Authority—§ 7

The bill transfers CII's statutory purposes to CEIA. These mostly involve stimulating and supporting commercially viable research and development.

The bill transfers many of CDA and CII's powers and duties to CEIA, but not those allowing CII to provide venture capital, promote and support scientific research, create affiliates, assist specified industry sectors, and administer the Renewal Energy Investment Fund.

Tax Exemption—§ 8

The bill exempts CEIA and its subsidiaries from all municipal and state taxes.

Subsidiaries—§ 9

The bill allows CEIA to establish subsidiaries to implement any of its statutory purposes, including cleaning up contaminated property. Current law allows CDA to establish subsidiaries only for this purpose. Under the bill, CEIA's subsidiaries have mostly the same powers and duties as CDA's. But, unlike current law, the bill does not waive the Department of Environmental Protection's fees for entering into covenants not to sue, a device used to encourage developers to clean up and redevelop contaminated properties.

Executive Director—§10

The bill authorizes CEIA's board to appoint the authority's chief executive officer, who cannot be a board member. It also allows the board to appoint any other officers it determines. They serve at the board's pleasure. The bill exempts the authority's officers from civil service. The board determines their compensation.

Under current law, the CDA and CII boards may appoint only the executive directors of their respective agencies. It allows the CDA director to appoint other officers.

The powers and duties of the CEIA chief executive officer are mostly the same as those of CDA and CII's executive directors.

Annual Legislative Reporting Requirements—§11

The bill imposes the same annual reporting requirements on CEIA currently imposed on CDA and CII. Current law additionally requires these agencies to provide any additional reports and information the Commerce, Appropriations, and Finance committees request. The bill does not extend this requirement to CEIA.

Transfer of Powers and Obligations from CDA and CII to CEIA—§12

The bill transfers CDA and CII's powers, duties, contractual obligations, and financial assets and liabilities to CEIA. It makes CDA's subsidiary—Connecticut Brownfields Redevelopment Authority—a subsidiary of CEIA and transfers CII's subsidiaries to it. The transfer includes CDA and CII's written procedures. CDA's remain in place with respect to any matter before CEIA; CII's remain in place only with respect to matters covered under arising under the transferred CII statutes. The bill explicitly transfers to CEIA CII's staff, but not CDA's.

Transition Assistance—§ 13

The bill allows CDA and CII to help CEIA assume their respective powers and duties. Between July 1, 2009 to September 30, 2009, CDA and CII can contract with CEIA to provide this assistance, which may include technical support and facilities, equipment, and supplies.

Sales and Use Tax Relief Program— §§ 153-155

The bill eliminates CDA's sales and use tax relief program, but establishes a comparable program in DECD exempting businesses developing or expanding a facility from paying the sales and use tax on qualified personal property incorporated or equipment installed in the facility. A business qualifies for an exemption of up to \$5,000 for each new job or \$2,000 for each retained job attributable to the development project.

In approving an entity's application, the DECD commissioner must conclude that the proposed new or retained jobs generate enough state tax revenue over a five-year period to exceed the state tax revenue loss due to the exemption. It limits the total value of exemptions under the program to \$5 million per fiscal year.

Under CDA's current program, a company proposing a large-scale development project qualifies for the exemption if it significantly benefits the economy. The exemption amount is based on the number of permanent, full-time jobs the company will create or retain. The total value of the property eligible for the tax relief must be at least \$5 million.

Although the bill authorizes the commissioner to exempt sales and use taxes, it makes a conforming change only to the statute authorizing sales tax exemptions.

Special Incentive Grant Program—§ 184

The bill transfers CCCT's special incentive grant program to DECD and makes it subject to the availability of funds. The grants provide financial assistance for artistic and cultural programs and activities.

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