

**Department of Economic and
Community Development**

**Tax Policy Review
Task Force Meeting**

Commissioner Catherine Smith

Friday, March 16, 2012

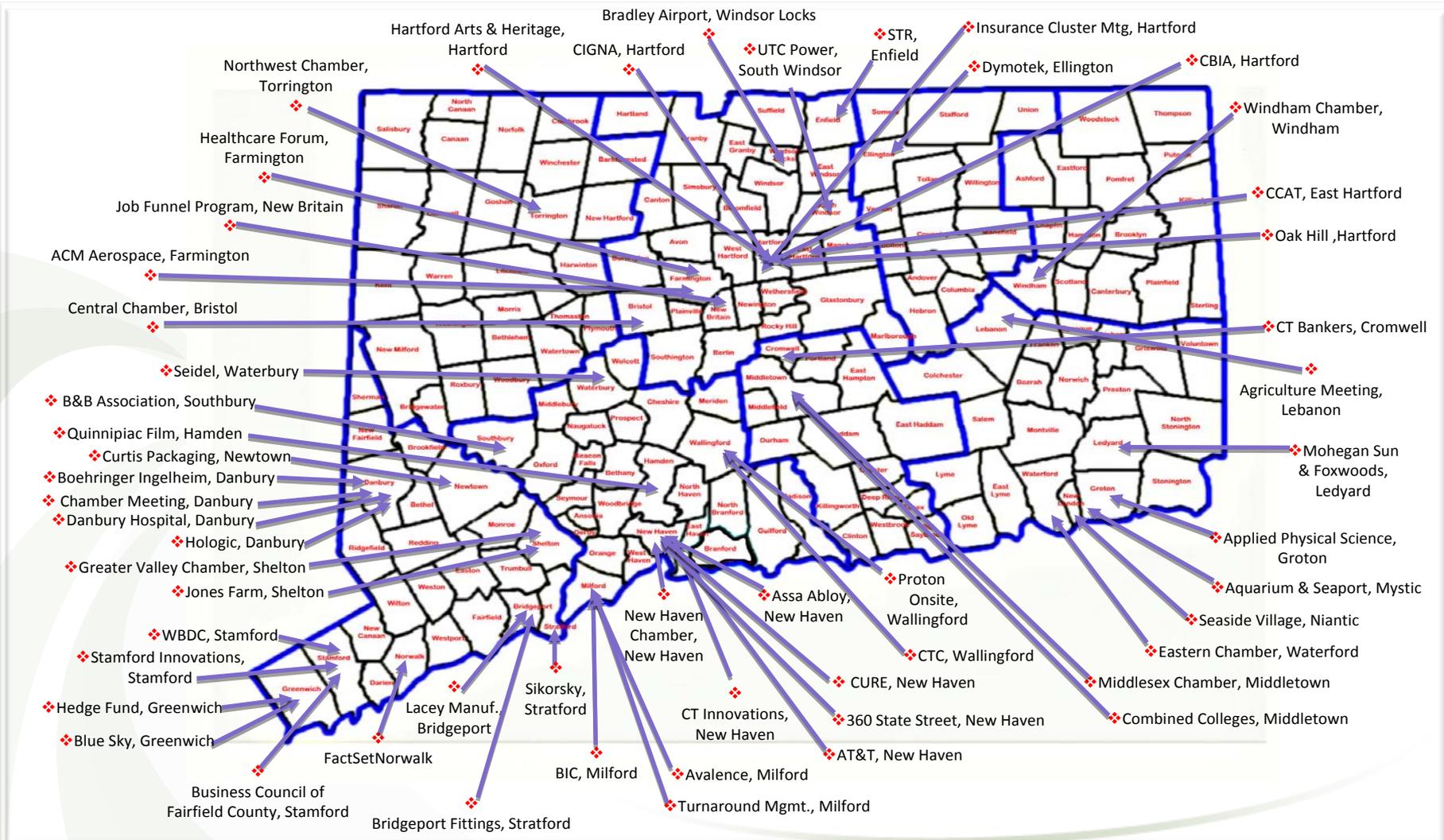
DECD Vision

Connecticut ranks among the top quartile states in economic growth

Mission

Develop and implement strategies to increase the state's economic competitiveness

June 27th – October 3rd -- We Met with Over 300 Companies Across Connecticut



Young, Fast Growing Firms Create Most Jobs -- Connecticut Lags in Nurturing New Businesses

Connecticut 2008-2009	Employees	% of Jobs	CT Rank
Stage 1	(2-9)	30%	34
Stage 2	(10-99)	33%	46
Stage 3	(100-499)	14%	26
Stage 4	(500+)	15%	6

- While Connecticut has a strong existing base of businesses in a diverse group of sectors, We lag other states in small business creation and growth
- The CT strategy includes elements which foster innovation and startups

Source: YourEconomy.com Edward Lowe Foundation.

Talent Is A Critical Component Of Our Growth Strategy

We have a well educated...

- 43% of CT residents 25 & older have Associate's degree or higher compared to 35.4% for the U.S. and CT ranks #2 in "knowledge jobs."

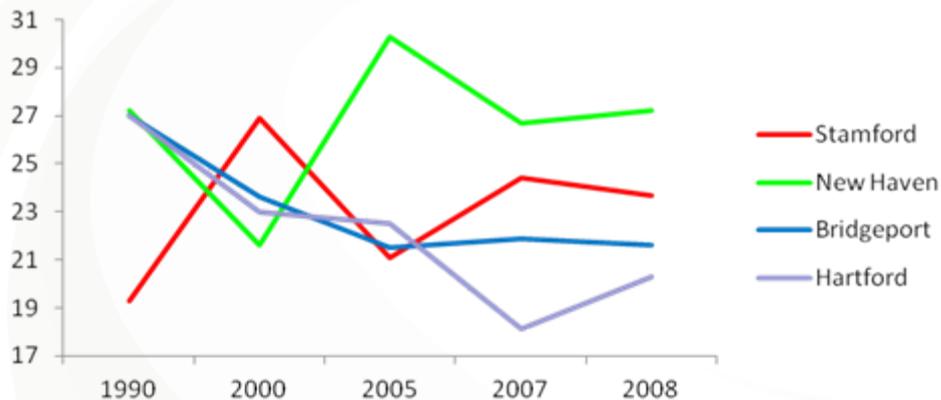
...and productive workforce

- CT ranked 2nd behind in GDP per capita from 2000 through 2005. In 2009, our per capita GDP was \$65,000 vs. a national average of \$46,000.

But some of our cities are seeing an out-migration of young adults

Percentage of Population 25-39

Source: American Community Survey



- We need to work with **educational institutions** to ensure we graduate the type of talent required by our growth sectors.

- Creating **livable communities** will be essential to our effort to retain talent. We have seen an outmigration of young adults (somewhat offset by immigration). If retained, these talented younger people can seed our innovation and small businesses.

Key Learnings

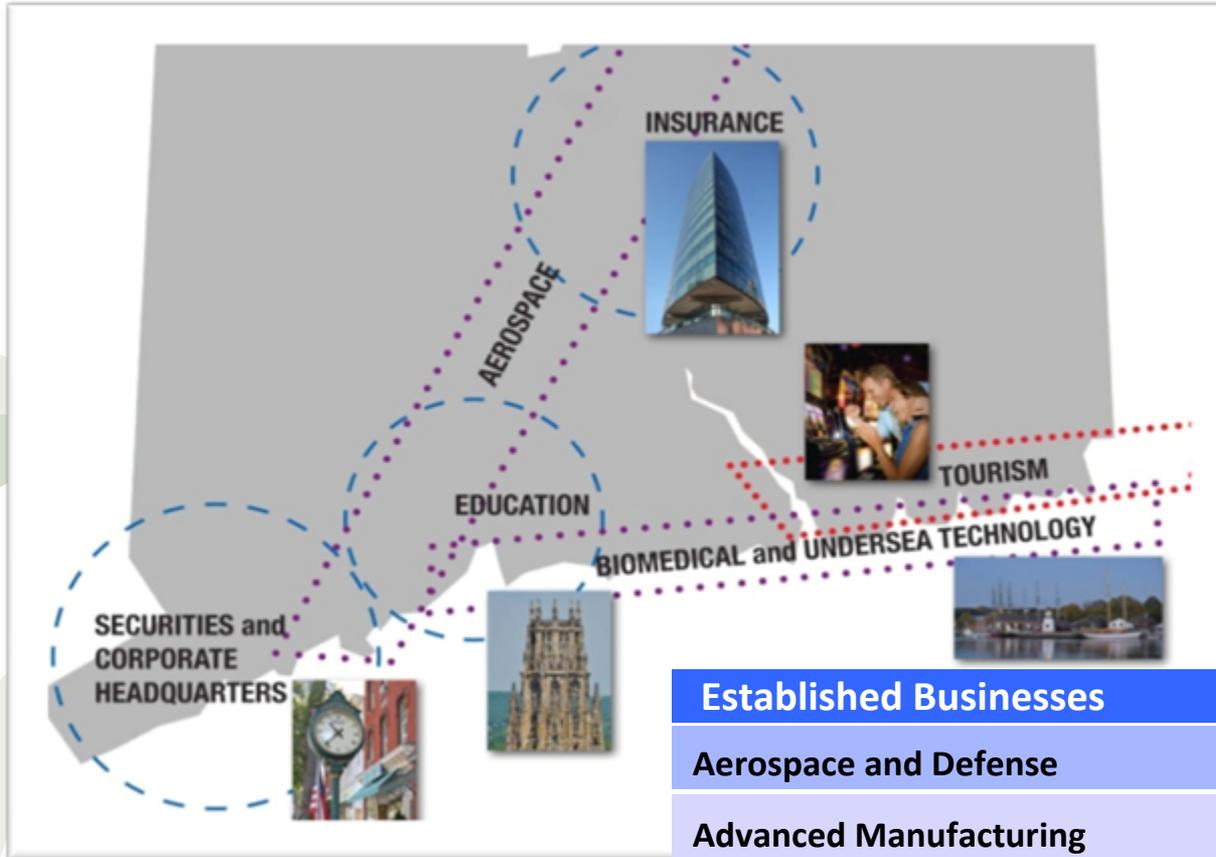
- **Our existing business, particularly small businesses, are key to our future growth**
- **We are not realizing our full potential in innovation and startups**
- **Regulatory environment is viewed as a hindrance to economic development**
- **Cost of business is still high in some areas (e.g., energy)**
- **We need to ensure we retain and grow our talented base of employees**

Strategic Framework to Improve the Connecticut Economy

Build on our established strengths and emerging sectors; differentiate based on our key assets to achieve these goals:

- **Retain and grow our existing base of jobs**
- **Foster innovation and new business development**
- **Grow and enrich our talent pool**
- **Build vibrant neighborhoods and communities**
- **Ensure quality housing at a broad range of prices**
- **Build a brand for the state which drives economic growth**
- **Motivate, engage and align our employees and partners**

Connecticut Is Home To Several Important Sectors; Opportunity To Grow In Others



Established Businesses	Emerging Sectors
Aerospace and Defense	Digital Media
Advanced Manufacturing	Green Tech
Bioscience/Healthcare	Stem Cell Research
Insurance/Financial Services	Bio-Medical / Pharma
Technology	Medical Devices
Tourism	Hi-Tech Manufacturing

Business Tax Credits Administered By DECD

- **Insurance Reinvestment Tax Credit Program**
- **Job Expansion Tax Credit Program (JET)**
- **Urban and Industrial Site Reinvestment Tax Credit Program**
- **Digital Animation Production Company Tax Credit**
- **Digital Media & Motion Picture Tax Credit**
- **Film and Digital Media Industry Infrastructure Tax Credit**

Other Business Assistance Programs Administered or Supported by DECD

- **Small Business Express Program (EXP)**
- **Export Assistance**
- **Manufacturing Assistance Act (MAA) Program**
- **Micro Loan Guarantee Program for Women and Minority-Owned Businesses**
- **Participation Loans with the Connecticut Development Authority**
- **Technical Business Assistance Programs**
- **Turnaround Management Assistance Program**
- **Urban Action (UA) Program**
- **Minority Bonding Guaranty Program**
- **Workforce Development and Training Assistance**
- **Enterprise Zone Program**

Financial Results of Programs

Fiscal 2011

- DECD provided \$37.93 million in direct financial assistance to CT companies
- This leveraged \$184 million in private funds
- DECD approved over \$111 million in tax credits.

Overall Portfolio

- For every state dollar invested, \$6.36 was invested by private industry
- DECD's portfolio companies have retained and created over 20,000 jobs
- 101% of expected jobs have been created

Tax Incentive Considerations

- **Tax incentives have been useful tools in our economic development tool kit with over 4000 entities per year taking some advantage of them**

However:

- **Several programs have be underutilized and should be reconstituted or eliminated**
- **Some programs may need additional funding**
- **During the next few months, we will evaluate each, and look for ways to ensure we are maximizing our tax incentives and investments**



505 Hudson Street
Hartford, CT 06106
(860) 270-8000
www.decd.org