



DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

DECD ECONOMIC AND COMMUNITY DEVELOPMENT INVESTMENT PERFORMANCE AND ECONOMIC IMPACT REPORT FY 2002-2003

INTRODUCTION

In accordance with Connecticut General Statute 32-1i, as amended by Public Act No. 03-197, the Department of Economic and Community Development submits Development Investment Performance and Economic Impact Report for state fiscal year 2002-2003. This report provides an overview of the agency, its mission, programs and services, goals and objectives, performance measures as well as the results of its efforts in the areas of economic and community development for the fiscal year.

Sound economic development policy encompasses more than just job creation and job retention. The primary goal of economic development policy must be to build stronger and better communities through sustained economic growth. It is important to realize that the principal reason for doing many economic and community development projects is to achieve other public policy objectives including, but not limited to; brownfield remediation and redevelopment, urban revitalization, infrastructure improvements, job training, cultural/quality of life improvements, promoting economic diversity, and maintaining and expanding the state and local tax base. While job creation and retention is certainly one of the more important goals of the state's economic development efforts, it is not the only goal. The other socio-economic benefits derived from DECD development investments should not be overlooked.

This report is the result of a review of DECD's total economic and community bonding requests for fiscal year 2002-2003 and the agency's 2002-2003 Annual Jobs report. The agency's economic and community development programs, program goals and measures are outlined and the department's efforts in these areas are examined. Job creation and retention are briefly discussed within this report, however, a complete analysis of DECD's job creation and retention efforts and results is available in the *DECD Annual Jobs Report* which is prepared per C.G.S. 32-1h each November.

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EXECUTIVE SUMMARY

DECD's economic and community development investments, programs and services, and policy initiatives have made a significant impact on the economy of Connecticut and the quality of life of its citizens.

FY 2002-2003 Economic and Community Development Highlights

- DECD received bonding approval of **\$46,312,605** for economic and community development projects. DECD's awards are expected to leverage an additional **\$121,590,511** in private investment resulting in a leveraging ratio of **\$2.60** for each \$1.00 of DECD funds invested.
- DECD financial awards are estimated to generate an increase in Total State Output of **\$115,280,152** and New Personal Income of **\$102,264,405** as well as increase State Revenues by **\$14,507,402**. Additionally DECD's investments are projected to increase local property values by approximately **\$43,047,189**.
- DECD provided **16** loan guarantees to the Connecticut Economic Development Fund (CEDF) which enabled **\$481,000** in micro-loans to be awarded to **16** women and minority-owned small businesses. (Data provided by CEDF)
- DECD funding support enabled the Connecticut State Technology Extension Program (ConnStep) to visit **380 companies** which resulted in **180 projects** that created **500 jobs** and generated approximately **\$2.7 million** in tax revenue to the state. (Data provided by ConnStep).
- DECD funding support enabled the Procurement Technical Assistance Centers (PTAC) to help primarily women and minority-owned small businesses secure **\$135.4 million** in government contracts which resulted in the creation of **3192 jobs** and generated approximately **\$10.7 million** in direct and indirect revenue to the state. (Data provided by PTAC).
- Based on information provided by CERC, over **50** companies relocated to Connecticut creating over **2,102** new Connecticut jobs.

FY 2002-2003 Economic Development & Business Expansion Project Highlights

- **Derecktor Shipyard** expanded its operations with a new a world-class shipyard in Bridgeport, CT. The company plans to add other buildings in the future. This first phase of the project is expected to create a minimum of 125 jobs and once the site is fully developed the total number of jobs that will be created is expected to exceed 250.
- With a \$1,500,000 inducement from the State of Connecticut, the **Martin-Brower Company** elected to relocate its Massachusetts operation and establish its New England headquarters in Enfield, CT. This resulted in an expansion at its Enfield plant from 52,000 square feet to 102,000 square feet, the retention of 101 jobs, and the creation of 59 new jobs.
- DECD provided assistance in support of the retention and expansion of **MBI, Inc.**'s facility in Torrington, Connecticut. MBI constructed a new 200,000 sq. ft. distribution center that will

provide the capacity to warehouse and distribute company products sold throughout the United States. This project will retain 525 jobs and create an additional 100.

FY 2002-2003 Industry Clusters Initiative Highlights

- On October 23, 2002 the state's ninth industry cluster, **Insurance and Financial Services**, was officially launched. DECD's \$100,000 seed funds matched by \$175,000 private resources enhances the clusters effort and supports a vital industry to the state's economy. Insurance and financial services account for 22% of direct and indirect employment in the Metro Hartford region alone, accounting for 67,600 jobs.
- **National Foundation for Teaching Entrepreneurship (NFTE)**: \$90,000 in DECD funds currently supports the enrollment of 827 students and 20 inner-city schools in the NFTE program. In 2003, programs were initiated at 23 sites in 12 inner city school districts, where 11 teachers were trained, 711 students were enrolled, and a strategic program continuation plan was completed which resulted in additional funds for 11 schools and the holding of a statewide business plan competition.

FY 2002-2003 International Trade Highlights

- DECD helped increase foreign direct investment in Connecticut by facilitating the establishment of Connecticut facilities by *GKN Structures* (UK) in Cromwell, *Max Holdings Inc.* (Germany) in Enfield, *Westfalia Inc.* (Germany) in Bristol and *Bielomatik-Jagenberg Inc.* (Germany) in Windsor.
- DECD entered into the nation's first-ever cooperative agreement for export promotion between a state economic development agency and the US Commerce Department. DECD directly contacted **90** companies about the program and signed up **23** companies to participate.
- DECD supported **21** incoming trade missions: China (8), Canada (1), Russia (1), Taiwan (1), Poland (2), Cape Verde (1), South Africa (2), Romania (2), Turkey (1), UK (1), and Israel (1).
- DECD staff fielded about **900** commercial inquiries, ranging from simple phone inquiries, such as a referral, to providing technical advice, direct in-market assistance, export financing and grant requests.
- DECD staff networked extensively: **80** on-site company visits; **12** protocol engagements with various foreign government officials; **4** trade conferences; and **8** board memberships and committee assignments.
- DECD provided export counseling to more than **100** Connecticut businesses.
- DECD hosted and signed a cooperation agreement with the Vice Governor of Shandong Province, Connecticut's sister state and his trade delegation. This agreement is to train upper middle-management of the provincial government in western business practices.

- DECD facilitated two-way trade and business activities between the Eastern Cape, South Africa and Connecticut during a visit by the Reverend M.A. Stofile, Premier of the Eastern Cape, South Africa.
- DECD supported a visit by President Pedro Verona Rodrigues Pires of Cape Verde and his 14-person delegation.

FY 2002-2003 Awards & Recognition

- DECD was recognized for the second consecutive year as the 2002 recipient of the **Phoenix Award**, which recognizes significant efforts in transforming abandoned, contaminated industrial sites. The award recognizes DECD's role in the redevelopment of the former New London Mills site for the Pfizer Global Research facility in New London, CT. Over **twenty-two acres** were returned to productive use consistent with the Municipal Development Plan for the Fort Trumbull area of New London.
- DECD was recognized by the Connecticut Chapter of the *American Planning Association* as the 2002 recipient of the **Outstanding Community Development Award** in recognition for the significant efforts of the State's *Urban Sites Remedial Action Program* in transforming "brownfields"- abandoned, contaminated industrial sites- into productive real estate.
- The DECD received the 2002 **Connecticut Light and Power Company Award for Outstanding Contributions to Main Street Revitalization** at the *Connecticut Main Street Center's* Annual Meeting in June 2002.

What follows is a more in depth review of DECD's economic and community development programs, investment standards, program performance measures and efforts in making Connecticut's economy diverse and competitive, while also improving the economic opportunities and quality of life for state residents.

DEFINITIONS OF TERMINOLOGY USED WITHIN THIS REPORT:

DECD Active Portfolio:	DECD's active portfolio is defined as those companies that still have a contractual obligation to the state. Companies that have completed their contractual obligations, have filed for bankruptcy protection or have gone out of business are not considered part of the active portfolio.
DECD Annual Jobs Report:	The department's annual jobs report (32-1h) provides job retention and job creation data on all of the companies in DECD's active portfolio. This means that jobs data is reported for all active recipients, not just those with contractual jobs obligations (note: not all companies in the DECD active portfolio have contractual jobs obligations). Companies in DECD's active portfolio are surveyed annually by a CPA under contract with DECD, regarding their employment and wage levels.
CD:	Community Development
ED:	Economic Development
Economic & Community Development Financial Awards:	Financial Awards represent projects bonded for in a given fiscal year. Not all bonded projects continue to the contracting and implementation stage.
Gross State Product:	Total dollar value of all final goods and services produced in the State, usually stated per year. It is sometimes alternatively called total output.
New Personal Income:	Additions to income received by persons from participation in production, from government, business transfers, and government interest. It is composed of wage and salary disbursements, other labor income, proprietor's income, rental income of persons, personal dividend income, and transfer payments to persons, less contributions for social insurance. In short it is the aggregate income from all sources to all individuals.
New State Revenues:	The estimated sum of personal income tax revenue, sales tax revenue, and corporate tax revenue.
Direct Effects:	The initial, immediate effects caused by a specific activity, for example, the initial investment in a new manufacturing plant or the effects on increased public spending for specific goods and services. The direct effect, or impact, will subsequently initiate a series of iterative rounds of income creation, spending, and re-spending that will result in <i>Indirect Effects</i> and <i>Induced Effects</i> . These three component effects — direct, indirect, and induced effects — constitute the <i>Total Effects</i> resulting from the initial, direct effect. (Gary A. Horton)

- Indirect Effects:** The effects that result from the actions of the processing sectors to produce the *Direct Effects*. Therefore, the indirect effects are those changes to production, employment, incomes, etc., which take place as a result of the direct effects and include the effects on industry sectors that may be directly or indirectly related to the initially impacted sector. (*Gary A. Horton*)
- Productivity:** Productivity is a measure of economic efficiency which shows how effectively economic inputs are converted into output. Productivity is measured by comparing the amount of goods and services produced with the inputs which were used in production. For the purposes of this report Productivity is determined by dividing Gross State Product gain by employment gain. The resulting number provides a dollar value proxy for productivity gained per direct and indirect job created by the state's investment.
- Local Property Values:** Growth in town grand list are proxied by estimated increases in local property taxes. Property taxes are calculated as construction value multiplied by an assessment ratio of 70% and further multiplied by the actual local mill rates. Mill rates used in this analysis are from the Office of Policy and Management's (OPM) Municipal Fiscal Indicators, October 2003 report for fiscal year 2002-2003.

INVESTMENT STANDARDS

Economic development and community development financial assistance and non-financial assistance are awarded based in part on the standards identified, but not limited to, those standards. DECD's investments are made for the purpose of fulfilling the agency's mission and furthering the state's public policy objectives. These include, but are not limited to, the following:

- Preservation, expansion and enhancement of the state's workforce
- Preservation and expansion of state and local tax base
- Infrastructure improvement
- Redevelopment of brownfield sites
- Urban renaissance & revitalization
- Creation and preservation of affordable housing
- Job creation and/or retention

DECD is primarily a gap financier. The department, as a part of its underwriting process, routinely conducts a basic economic impact analysis to determine a project's economic benefit to the state. This analysis determines the internal rate of return of an investment, the payback period, and the projected incremental increase in tax revenues to the state as a result of the investment. DECD's projects typically have a payback period of under 3 years. (Payback is a combination of principal and interest payments and the incremental increase in tax revenues generated by the state's investment).

DECD's due diligence process includes three primary components:

- Project Feasibility Review
- Financial Analysis
- Basic Economic Impact Analysis

Economic Development Financial Analysis Process

DECD employs a comprehensive due diligence process that includes, but is not limited to, the following:

- **Information Collection**

Pre-Application
Threshold Projects Form
High-Performance Workplace Form
Project Description
Source and Use Statement

- **Financial Statements - 3 consecutive years**

- Balance Sheets
- Income Statements
- Associated Schedules
- Notes to Financial Statements
- Annual Reports or 10K for a Publicly Traded Company

Projections - 3 to 5 consecutive years

- Projected Balance Sheets
- Projected Income Statements
- Projected Employment
 - Type of Jobs
 - Payroll
- Projected Taxes
- Corporate Taxes Paid to Connecticut
- Payroll Taxes Paid to Connecticut
- Sales Taxes Paid to Connecticut
- Taxes Generated by the Project

- **Financial Analysis**

The Financial Analysis consists of three separate -but interrelated- steps.

Spreadsheet Analysis – DECD utilizes FISCAL, a financial statement analysis software that provides:

- Ratio Analysis
- Trend Analysis
- Cash Flow Analysis
- Operational Analysis
- Industry Comparison

Credit Risk Rating – DECD utilizes an internally developed Excel Credit Risk Rating spreadsheet that produces a risk rating based on several key financial and operational factors.

Basic Economic Impact Analysis – DECD utilizes an internally developed Excel cost/benefit analysis spreadsheet to estimate a projects economic impact and payback period. (A more detailed description of an economic impact analysis appears later in this document.)

Larger projects may also undergo either an internally generated economic impact analysis utilizing the REMI Policy Insight Econometric model or other economic model as required or an externally generated, third party REMI analysis and/or other contracted third party economic analysis.

- **Background Checks**

In some cases it may be necessary, as part of the department's due diligence, to initiate background checks. These checks may include, a tax check with Department of Revenue Services (DRS), credit bureau checks, character/reference checks, additional research using reference materials and the internet.

- **The Financial Write Up**

Each DECD project receives a Financial Write Up Report based on the results of the agency's due diligence process. The Financial Write Up consists of the following categories of

information: Summary Information, Issues/Risks, Company Overview, Products, Market Outlook, Project Description, Eligibility, Public Policy Objectives, Financial Analysis, Repayment Sources, Collateral, Management, Employment Analysis, Economic Impact Analysis, Credit Risk Rating and Deal Structure Sources.

The Financial Write Up is used as part of the financial assistance decision making process.

BASIC ECONOMIC IMPACT ANALYSIS

Each economic development project generates both direct and indirect returns to Connecticut. Direct returns are the debt service payments paid on any economic development loans made to a client company. Direct returns are easily quantified. Indirect returns include other quantifiable returns to the state such as corporate taxes, sales tax, payroll taxes, etc. Other impacts such as property taxes paid are also important.

DECD prepares an analysis of the impact a given project will have on the area in which it is to occur and on the State. This entails calculating the quantifiable/monetary impact a project will have. More specifically, it entails calculating the indirect revenue streams that are generated by the project.

The indirect returns are then added to direct returns to determine the over all benefit to Connecticut. The overall benefit is then examined on a net present value basis to determine the quality of the return and the actual benefit to the state.

Generally DECD looks at corporate taxes, sales taxes and payroll taxes to determine the indirect return to the state, however each project is unique and some companies do not pay one or all of the aforementioned taxes. In such cases it is important to look at all other indirect returns. The following is an outline of the different indirect returns.

Potential Benefits

Benefits Associated with Development

- Construction Materials
- Construction Employment
- Tax Revenues

Benefits Associated with Operation

- Employment Income
- Materials Purchases
- Tax Revenues

Benefits Associated with Employees

- Benefits from New Resident Employees
- Benefits from Existing Resident Employees
- Benefits from Local/Nonresident Employees
- Benefits for Low and Moderate Income Families

ECONOMIC IMPACT ANALYSIS UTILIZING THE REMI POLICY INSIGHT MODEL

In an effort to quantify the impact of a proposed project on a city, a region and the state, the department may conduct an impact analysis utilizing the REMI Policy Insight Econometric Model (REMI).

The DECD has a fiduciary responsibility to the taxpayers of Connecticut to invest their tax dollars in an efficient and responsible manner, while also maximizing economic and social benefit. In order to justify public funding support of an economic development project or initiative, the department utilizes an econometric model from Regional Economic Models, Inc. known as the "REMI" model as part of a larger economic study and project due diligence. The REMI model is one of the most comprehensive, reflexive and sophisticated econometric models available. It is an economic forecasting and simulation model that measures the impact of numerous policy and economic variables on the state and regional economy. It is designed to answer questions about future income, jobs, regional output, and a host of other economic and demographic issues that occur from changes in the economic environment, such as a change in taxation, the introduction of a new business into the economy or a large construction project. This model provides DECD with a reliable and effective means to gauge a project's economic benefits and return on investment.

To conduct this economic study, the department collects the following data related to the proposed project:

CONSTRUCTION PHASE

- | | |
|--------------------------------|---------------------|
| • Engineering and Architect | Millions of dollars |
| • Real Estate Costs | Millions of dollars |
| • Legal Fees | Millions of dollars |
| • Construction | Millions of dollars |
| • Square Footage of Project | Square footage |
| • Furniture and Fixtures | Millions of dollars |
| • Computers | Millions of dollars |
| • Telecommunications Equipment | Millions of dollars |
| • Detailed Project Description | Narrative |

The industry from which any equipment will be purchased and any other special aspects of the construction phase that involve a substantial expenditure of money by the organization or the state, (i.e. special road or public utility construction) is also important information that maybe included in the analysis.

OPERATION PHASE

- | | |
|-------------------------------|-------------------------------------|
| • Employees | Number of workers |
| • Average Wage | Thousands of dollars (current year) |
| • Annual Capital Expenditures | Thousands of dollars (current year) |

Whether or not average wage is above or below normal for the industry is also included in the analysis.

Note: Other data may be requested as required due the unique or specific nature of a given project.

PROGRAM GOALS, MEASURES AND PERFORMANCE

PROGRAM: ECONOMIC DEVELOPMENT

Program Overview:

Based on the economic development needs present in Connecticut, DECD employs numerous state and federally funded economic development programs and services to address economic, business and workforce development issues and create employment, training, business expansion and infrastructure improvement opportunities. Some of these programs and services are as follows:

- Urban & Industrial Site Reinvestment Tax Credit Program
- Economic Development and Manufacturing Assistance
- Enterprise Zone Program
- Export Assistance
- Industrial Parks Program
- Naugatuck Valley Revolving Loan
- Small Business Assistance
- Urban Action Grants
- Turnaround Assistance
- Small Cities & Section 108
- Technical Business Assistance Programs
- Workforce Investment Act

DECD has adopted a comprehensive approach to economic development, which utilizes both short-term and long-term strategies and addresses the primary issues of job creation/retention and economic expansion. Since there is no single solution or method to achieving sustainable growth and economic prosperity, the department uses this approach to maximize the holistic and synergistic effect these efforts have on one another.

Economic Development Mission:

The agency's economic development mission is subdivided into two functional areas which encompass the agency's short-term and long-term economic strategies. These two functional areas are Industry Clusters and Economic and Business Assistance and are directly supported by agency line divisions with economic development responsibilities.

Connecticut's Industry Cluster Initiative is the state's long-term economic development and competitiveness strategy. This strategy is based on the economic premise that clusters of industries, not individual companies, will drive Connecticut's economy and that the expansion of quality jobs and wealth will only occur where large number of companies can successfully compete in the global marketplace. The ultimate goal of this strategy is to increase the competitiveness of Connecticut's businesses, to identify and nurture industry clusters, and for the businesses involved in these clusters to make a high level of commitment to help strengthen the "economic foundations" and environment in which they compete.

This initiative represents a decision to strategically invest a portion of the state's economic development resources in certain industry clusters. This approach compliments the need to invest in the long-term growth and sustainability of the state's economy with the immediate case by case

business needs that are met through the utilization of the agency's other economic development tools and initiatives.

The department's short-term strategy centers on servicing the needs of individual businesses on a project by project basis. DECD leverages its financial assistance resources with its extensive institutional knowledge and technical capabilities to recruit new businesses to the state; expand and retain existing Connecticut businesses; promote exports; target foreign direct investment in the state; and plan, regulate, coordinate and implement complex real estate development projects and tax incentive programs.

Both the long-term and the short-term economic and business assistance strategies are supported by the following DECD Offices and functional units:

- Business & Industry Development
- Industry Clusters
- Business Recruitment
- Infrastructure & Real Estate
- International

Overarching Goal: Economic Development (Strategic Plan)

"Improve the State's Long-Term Competitive Position"

MEASURES: IMPACT ANALYSIS METHODOLOGY

Measuring Economic Impact: DECD's Measures

Economic Impact

- ◆ The effect of DECD's investments on gross state product, personal income and state tax revenues.
- ◆ Maximization of DECD financial resources as demonstrated by leveraging ratios.
- ◆ Increase in property values as indicated by the value of capital expenditures in a given community and the growth in property tax revenue.
- ◆ Productivity.

Jobs

- ◆ Number of jobs created and retained as a result of DECD's investments.
- ◆ Quality of the jobs created and retained as a result of DECD's investments (as represented by the average compensation paid by businesses within DECD's active portfolio and percentage covered by health insurance coverage).

Recruitment

- ◆ Number of businesses successfully recruited to relocate to Connecticut as a result of DECD's recruitment efforts.

Impact Methodology

DECD's economic impact analysis employs the following straightforward, conservative calculations to determine:

◆ **Gain in total state output**

This dollar amount represents the contribution to final goods and services as a result of both the state and private spending. It is the direct effect and the sum of state investment plus leveraged amounts.

◆ **New Personal Income**

This is the collective gain in the aggregate of all income received in total by state residents as a result of the initial spending. The amount is based on multiplier effects and summation of income from all sources including income that may accrue to state residents from out of state sources. It includes proprietor's income, income from rent, wages and salaries, and other sources. This is pre-tax income. Per classical economic theory, based on a traditional production function about two-thirds of output is paid to labor; thus this is about two-thirds of output.

◆ **New State Revenues**

This is an estimate of new state revenues based on the fiscal output of the REMI Policy Insight Econometric Model's fiscal module. Depending on the policy variables used in running an economic simulation the fiscal module estimates the direct and/or indirect tax revenue to the state.

The model estimates the effects that the project will have on various governmental revenue variables (**State & Local Revenue Sources include:** *Property Tax (Residential & Non-Residential), General Sales Tax, Motor Fuel Sales Tax, Alcoholic Beverages Sales Tax, Tobacco Sales Tax, Public Utility Sales Tax, Other Sales Tax, Individual Income Tax, Corporate Income Tax, Motor Vehicle License, Other Tax*) and on various governmental expenditure variables (**State & Local Expenditures include:** *Higher Education, Elementary & Secondary Education; Libraries, Welfare, Health, Transportation, Police, Fire, Correction, Natural Resources, Parks, Housing, Sewerage, Solid Waste, Administration & Unallocable, Interest on Debt, Utilities, Transit*). The model then aggregates the revenues to generate the New State Revenues and aggregates the expenditures to generate the New State Expenditures. The model outputs this data by year. The department then aggregates the multi-year data to generate the aggregate New State Revenues figure and aggregates the multi-year state expenditure data to generate the aggregate New State Expenditures figure. Any state concessions (**State and Local Concessions include:** *Financing, property tax abatements and other tax relief*) are then added to the New State Expenditures figure that is then subtracted from the Aggregate New State Revenues figure to generate the Aggregate Net New State Revenues figure.

Revenue and expenditure estimates by region are calculated within the model by simply multiplying the state-specific revenue or expenditure rate by the appropriate local base data. State and local government finance estimates utilized by the model were obtained from the US Census Bureau. State-specific average rates were then calculated for 21 major revenue categories and 13 major expenditure categories by dividing the state-specific revenues or expenditures by an appropriate base. Local-specific rates were determined by adjusting the state rates to reflect local differences in spending per capita. The state revenue and expenditure rates were calculated separately from the local rates. The bases are calibrated to state or local data are then used as growth factors.

◆ **Increase in Property Values**

Estimated property tax liability is used as a proxy for property value. Based on project construction and personal property expenditures property tax liabilities resulting from these expenditures is estimated by multiplying the total expenditure by an assessment rate of 70%

and by then multiplying the assessed value by the mill rate of the municipality in which the project expenditures occur.

◆ **Gain in Productivity**

Productivity is Gross State Product gain divided by employment gain.

ECONOMIC IMPACT METHODOLOGY AND MODELING ASSUMPTIONS

Regional Economic Models, Inc.'s (REMI) Policy Insight Econometric Model (Version 5.5) was used to estimate the impact DECD's investments will have on the Connecticut Economy.

Based on the recommendation of REMI, "Construction Industry Sales" (2923) was chosen as the input variable for this simulation. This input acts as a proxy for the cumulative project expenditures that will be made as a result of DECD's ED and CD project expenditures. Project expenditures were allocated to the county in which they are to occur, while statewide sums were allocated to each county by their share of state population.

The recommendation to use "Construction Industry Sales" as the proxy input in this simulation was based on the fact that, in the REMI model, 90 percent of the non-residential investment made by the state draws resources from the construction industry.

The REMI model estimates the impact the DECD projects will have on Gross State Product, Personal Income, Direct and Indirect Job Creation, and State Revenue Generation.

Productivity gain is calculated by dividing the gain in Gross State Product (estimated by the REMI model) by the Direct and Indirect Job Creation (also estimated by the REMI model).

Property Value gain is determined by aggregating construction and personal property expenditure components of DECD investment projects. These values are then allocated to the municipality in which they are to occur. A property tax estimate is then prepared by applying an assessment rate of 70% to the local property value followed by the multiplication of the assessed value by the appropriate local mill rate.

ECONOMIC DEVELOPMENT PROGRAM PERFORMANCE AND ECONOMIC IMPACT

Economic Development Impact Based on Awards Made in a Given Fiscal Year

FY 2002-2003

Input:	\$ 2,230,000	Dollar amount of DECD assistance
Output:	3	Number of ED projects funded
Leverage Ratio:	11	
Direct Outcome:	\$24,465,000	Dollar amount of Direct Investment Leveraged

Indirect Economic Outcome

Gain in Total State Output:	\$10,955,811
New Personal Income:	\$10,223,389
New State Revenue:	\$ 1,424,915

Gain in direct and Indirect employment	215
Gain in Productivity	\$50,965

Figures above are based on awards made in the specific fiscal year. DECD's fiscal year runs from July 1 through June 30.

Note: In response to Section (b) 1f of P.A. 03-197, no awards greater than \$1 million were made in FY 2002-2003 to businesses.

BUSINESS RECRUITMENT

DECD's 2002-2003 Business Relocation Efforts

- Based on information provided by CERC, over **50** companies relocated to Connecticut creating over **2,102** new Connecticut jobs
- Top 2 Places in Connecticut Where Companies Relocated To:**
 - Greenwich
 - Farmington (Tie for 2nd)
Norwalk (Tie for 2nd)
Wallingford (Tie for 2nd)
- Top 5 Places Where Relocated Companies Came From:**
 - New York
 - Massachusetts
 - California
 - New Jersey
 - Germany (Tie for 5th)
Pennsylvania (Tie for 5th)
Texas (Tie for 5th)
Virginia (Tie for 5th)

- The **50** Companies that relocated to Connecticut in FY 2002-2003 located in the following Municipalities:

Bethel	Cromwell	Greenwich
Bloomfield	Danbury	Hamden
Branford	East Windsor	Ledyard
Brookfield	Enfield	Manchester
Cheshire	Farmington	Meriden

Middletown
Milford
New Haven
New London
North Haven
Norwalk

Orange
Portland
Shelton
South Windsor
Stamford
Stratford

Trumbull
Wallingford
Waterbury
West Hartford
Windsor Locks

JOBS

Jobs Created and Retained

The most recent DECD Annual Jobs Report (32-1h), which surveys recipients of DECD economic development assistance annually for the term of their assistance or ten years (whichever is less), reports that as of June 30, 2003, companies in DECD's Active Portfolio have retained and/or created 30,228 Connecticut jobs. (Please see the 2003 DECD Annual Jobs Report for details).

Benefits

Schedule 5 of the 2003 DECD Annual Jobs Report states that of the 154 DECD active portfolio companies surveyed, 150 indicated that they provide health insurance coverage to their full-time employees and 47 indicated that they provided health insurance coverage to their part-time employees.

The average percentage of full-time employees eligible for benefits was 94.6%. The average percentage of part-time employees eligible for benefits was 33.5%.

Wages

Companies in DECD's active portfolio paid an average annual salary of \$47,673. The most recent data from US Department of Labor states that the average annual compensation in Connecticut for all industries is \$46,963. The table below shows the breakdown of wages paid by active portfolio companies. The data for this table comes from 2003 DECD Annual Jobs Report.

DECD Active Portfolio Wages From 2002-2003 Wage Survey

	Hourly rate	Annual Compensation
Portfolio Low:	\$7.69	\$16,000
Portfolio High	\$92.31	\$192,000
Portfolio Median	\$20.10	\$41,800
Portfolio Average	\$22.92	\$47,673

Note: DECD's Active Portfolio is composed of businesses from every industry sector and region of the state. Jobs range from blue collar workers to white collar professionals to corporate officers and owners. Therefore there is a high disparity between the low and the high wages noted in the table above.

The table on the following page shows the annual average compensation paid by Connecticut companies by industry. The first row is for all industries. The data for this table comes from the US Department of Labor.

Comparative Wage Rates

	Connecticut				United States			
	2000 Annual Pay	2001 Annual Pay	% Change	2001 Hourly Wage**	2000 Annual Pay	2001 Annual Pay	% Change	2001 Hourly Wage**
All covered workers	\$45,486	\$46,963	3.2%	\$22.58	\$35,320	\$36,214	2.5%	\$17.41
Private								
Total*	\$46,068	\$47,732	3.6%	\$22.95	\$35,333	\$36,159	2.3%	\$17.38
Mining	\$50,632	\$51,131	1.0%	\$24.58	\$57,963	\$59,724	3.0%	\$28.71
Construction	\$45,999	\$48,113	4.6%	\$23.13	\$36,899	\$38,415	4.1%	\$18.47
Manufacturing	\$54,490	\$55,706	2.2%	\$26.78	\$42,989	\$42,975	0.0%	\$20.66
Wholesale Trade	\$63,145	\$65,640	4.0%	\$31.56	\$48,043	\$48,789	1.6%	\$23.46
Retail Trade	\$28,056	\$27,043	-3.6%	\$13.00	\$21,915	\$22,670	3.4%	\$10.90
Transportation and Warehousing	\$33,497	\$34,824	4.0%	\$16.74	\$35,106	\$36,187	3.1%	\$17.40
Utilities	\$75,485	\$78,095	3.5%	\$37.55	\$63,034	\$65,582	4.0%	\$31.53
Information	\$57,818	\$57,692	-0.2%	\$27.74	\$58,180	\$57,171	-1.7%	\$27.49
Finance and Insurance	\$90,557	\$98,243	8.5%	\$47.23	\$60,714	\$63,707	4.9%	\$30.63
Real Estate and Rental and Leasing	\$41,083	\$42,252	2.8%	\$20.31	\$31,704	\$32,870	3.7%	\$15.80
Professional and Technical Services	\$70,524	\$72,739	3.1%	\$34.97	\$58,043	\$58,758	1.2%	\$28.25
Management of Companies and Enterprises	\$112,213	\$104,891	-6.5%	\$50.43	\$69,520	\$69,069	-0.6%	\$33.21
Health Care and Social Assistance	\$34,928	\$36,593	4.8%	\$17.59	\$31,376	\$32,811	4.6%	\$15.77
Arts, Entertainment, and Recreation	\$25,157	\$24,554	-2.4%	\$11.80	\$24,432	\$25,328	3.7%	\$12.18
Accomodation and Food Services	\$14,922	\$15,518	4.0%	\$7.46	\$13,350	\$13,669	2.4%	\$6.57
Government	\$41,521	\$42,290	1.9%	\$20.33	\$35,248	\$36,510	3.6%	\$17.55

*includes other industries not shown separately

** calculated as (annual pay/52 weeks)/40 hours

Source: US Dept. of Labor, "Average Annual Pay by State and Industry, 2001" (Table 1, Table 4) released 9/24/2002

Prepared by DECD Research 9/5/2003

Industry Clusters

DECD's Industry Cluster Initiative has had a significant impact on Connecticut's economic landscape. This long-term strategy to increase Connecticut's competitiveness and diversify the state's industrial mix now boasts 9 organized clusters with several more currently in the formation stages. The following is a conservative representation of its economic benefit to the state.

FY 2002-2003

Impact

Input:	\$ 888,375	State Cluster Investment
Output:	217	Number of Participating Co.'s
	734	Number of Inner City Business Strategy Participants
Outcome:	\$ 141,200	Dollar amount of Direct Private Investment Leveraged
	\$ 244,875	Dollar amount of Direct Private In-Kind Investment Leveraged
	<u>\$20,012,000</u>	Dollar amount of Direct Other Public Investment Leveraged
	\$20,398,075	Total Private & Other Public Investment Leveraged

Leverage Ratios:

Private \$ Investment:	0.16
Private \$ & In-Kind Investment:	0.28
Other Public Investment:	22.53
Total Private & Other Public Investment:	22.96

Indirect Economic Outcome

Gain in Total State Output:	\$22,964,478
New Personal Income:	\$20,233,154
New State Revenue:	\$ 2,887,965
Gain in Direct and Indirect employment	459
Gain in Productivity	\$49,993

Please refer to the *2001 Industry Cluster Progress Report* and the *March 2002 Governor's Council on Economic Competitiveness and Technology's Cluster Update*, available at www.DECD.ORG, for more detail on DECD's Industry Clusters initiative.

Figures above are based on awards made in the specific fiscal year. DECD's fiscal year runs from July through June.

PROGRAM: COMMUNITY DEVELOPMENT

Program Overview:

Community development activities create the environment necessary for sustainable economic growth, stable neighborhoods and healthy communities. Community development activities address the “quality of life” issues that create and reinforce the foundation for which effective economic and housing development depend upon for success. They unite diverse members of a community by promoting interaction and interrelation. Community development activities also form the nexus between housing and economic development and, as such, often overlap and complement economic development and housing development activities.

The agency utilizes a number of programs, services and strategies to improve the quality of life in Connecticut’s communities. Community development activities undertaken by the agency include: the identification and remediation of contaminated sites; the coordination and technical management of large scale, multi-faceted development and infrastructure improvement projects; the support and development of recreational, cultural and artistic venues and events; the aesthetic renovation and/or construction of commercial/residential mixed use facilities; facade restoration/renovation; streetscape improvements; renovation and/or construction of community facilities; and the support of community programs and services.

The department also employs numerous state and federally funded community development programs and services, as well as state bond funds, to improve the quality of life in Connecticut’s cities and towns provide infrastructure improvement opportunities. Some of these programs and services are as follows:

- Industrial Site Investment Tax Credit Program
- Urban Site Investment Tax Credit Program
- Urban Action Grants
- Small Cities Community Development Block Grant Program
- Economic Development and Manufacturing Assistance
- Main Street Program
- Industrial Parks Program

Community Development Mission:

DECD’s Community Development mission is to develop and implement community-based initiatives that create an environment which sustains economic growth, promote positive social and cultural development and nurture healthy and diverse neighborhoods that offer economic opportunities and quality affordable housing to everyone.

The DECD’s Community Development mission is supported by long-term and short-term strategies.

The short-term community development strategy centers on servicing the immediate amenity and infrastructure needs of Connecticut’s communities through individual development projects that result in a broad social impact upon the various constituencies within a community. This strategy is executed on a project by project basis and may be initiated in conjunction with an economic development project, a housing development project, or both.

DECD’s long-term community development strategy is governed by the comprehensive amenity and infrastructure needs of Connecticut’s communities and regions (as communicated to DECD by

each community and or region) and by the goals and objectives set forth in Connecticut's Consolidated Plan for Housing and Community Development which focuses on the building of broad community foundations that enhance quality of life and support further economic expansion and quality affordable housing development.

This functional area is directly supported by agency offices with community development responsibilities.

- Municipal Development
- Infrastructure & Real Estate

Overarching Goal: Community Development

“Grow and Sustain our Cities and Towns as Vibrant, Diverse, Healthy Communities that are Centers of Culture, Commerce, Learning, the Arts, History and Prosperity” (From DECD Strategic Plan 2000).

MEASURES: IMPACT ANALYSIS METHODOLOGY

Measuring Economic Impact: DECD's Measures

Economic Impact

- ◆ The effect of DECD's investments on gross state product, personal income and state tax revenues.
- ◆ Maximization of DECD financial resources as demonstrated by leveraging ratios.

Increase in Property Values

- ◆ Estimated property tax liability is used as a proxy for property value. Based on project construction and personal property expenditures property tax liabilities resulting from these expenditures is estimated by multiplying the total expenditure by an assessment rate of 70% and by then multiplying the assessed value by the mill rate of the municipality in which the project expenditures occur.

Impact Methodology

DECD's economic impact analysis determines the following:

- ◆ **Estimated Gain in Total State Output**
- ◆ **Estimated New Personal Income**
- ◆ **Estimated New State Revenue**
- ◆ **Estimated Direct and Indirect Job Creation**
- ◆ **Estimated Increase in Local Property Values**

COMMUNITY DEVELOPMENT PROGRAM PERFORMANCE AND ECONOMIC IMPACT

Community Development Impact Based on Awards Made in a Given Fiscal Year

FY 2002-2003

Input:	\$44,082,605	Dollar amount of DECD assistance
Output:	23	Number of CD projects funded
Leverage Ratio:	2.2	
Outcome: Leveraged	\$97,125,511	Dollar amount of <i>Indirect Investment</i>

Indirect Economic Outcome

Gain in Total State Output:	\$104,324,341
New Personal Income:	\$ 92,041,016
Net New State Tax Revenue:	\$ 13,082,487

Figures above are based on awards made in the specific fiscal year. DECD's fiscal year runs from July through June.

Property Value Gain

The table on the following page shows the estimated gain in local property values and property taxes as a result of DECD's economic and community development investments. Estimated property tax liability is used as a proxy for property value. Based on project construction and personal property expenditures property tax liabilities resulting from these expenditures is estimated by multiplying the total expenditure by an assessment rate of 70% and by then multiplying the assessed value by the mill rate of the municipality in which the project expenditures occur.

FY 2002-2003 Impact of DECD Investments On Local Property Values

Town	Mill Rate	County	DECD Investment	Total Project Cost	Construction Amt./Estimated Increase in Property Value	Estimated Annual Property Tax*
Bristol	33.25	Hartford	\$ 100,000	\$ 100,000	\$ 100,000	\$ 2,258
Brookfield	21.13	Fairfield	\$ 134,400	\$ 384,500	\$ 384,500	\$ 5,687
Groton	20.57	New London	\$ 6,284,000	\$ 6,284,000	\$ 4,421,188	\$ 90,483
Litchfield	25.41	Litchfield	\$ 1,030,000	\$ 1,030,000	\$ 1,000,000	\$ 18,321
New Haven	36.78	New Haven	\$ 5,000,000	\$ 24,126,930	\$ 17,732,000	\$ 621,172
Norwalk	31.87	Fairfield	\$ 2,309,985	\$ 2,309,985	\$ 2,309,985	\$ 51,533
Plainville	32.06	Hartford	\$ 500,000	\$ 1,500,000	\$ 1,500,000	\$ 33,663
Portland	32.17	Middlesex	\$ 500,000	\$ 850,000	\$ 515,000	\$ 19,141
Torrington	36.79	Litchfield	\$ 3,759,970	\$ 10,199,300	\$ 7,067,416	\$ 262,663
Wallingford	22.70	New Haven	\$ 51,500	\$ 500,000	\$ 500,000	\$ 7,945
Waterbury	54.86	New Haven	\$ 1,950,000	\$ 2,000,000	\$ 1,850,000	\$ 76,804
Westport	18.30	Fairfield	\$ 5,000,000	\$ 30,000,000	\$ 5,667,100	\$ 384,300
Total			\$26,619,855	\$ 79,284,715	\$ 43,047,189	\$1,573,970

* Where applicable, calculated as 70% Assessment Ratio x Construction Value x Mill Rate

Note : In FY 2002-2003 DECD received bonding approval of **\$46,312,605** for economic and community development projects. DECD's awards are expected to leverage an additional **\$121,590,511** in private investment. Combined, the total to be invested in Connecticut is **\$167,903,116**. Of the **\$167,903,116**, it is estimated that **\$ 43,047,189** will be invested in capital property (both real and personal).

CONCLUDING REMARKS

The mission of the Department of Economic and Community Development is to develop and implement strategies to attract and retain businesses and jobs, promote and increase tourism, revitalize neighborhoods and communities, ensure quality housing and foster appropriate development in Connecticut's towns and cities.

This report demonstrates the magnitude of DECD's impact on Connecticut's economy and quality of life and its contribution to the state's growing prosperity. The department is committed to continuing to expand economic opportunities throughout Connecticut and improving its ability to maximize the return on investments on behalf of the taxpayers of the state.

This report provides a broader understanding of the breadth of service and responsibility of the department. Economic and community development is more than job creation. It is a combination of short-and-long-term investments designed to address many socioeconomic issues and achieve numerous public policy objectives. It is only through a comprehensive investment strategy and holistic development approach that true sustainable progress and economic prosperity can be attained.