

Recession Era Stimulus Programs

March 2008-February 2010 Recession

The 2008 national recession hit Connecticut hard, as businesses shed jobs and consumers curtailed spending. For example, the state lost 119,220 jobs by January 2010, before it began to pull out of the economic doldrums. Even then, the jobs recovery was slow and unsteady for several years.

Recession Era Economic Development Programs

The economic development programs the legislature enacted since 2008 sought to counteract the recession, accelerate the recovery, and sustain economic growth. To do so, these programs aimed to stimulate certain economic activities such as the growth and expansion of individual businesses; the level and frequency of the interactions between related businesses, suppliers, and institutions (i.e., industry sector transactions); hiring and retaining skilled workers; and converting research into new products and services.

And to stimulate these activities, the programs used tools such as financial assistance, equity capital, tax incentives, and business services.

In Table 1, we grouped the programs by the economic activity they aimed to stimulate and, within each activity, the tools they use to do so.

The Last Recession's Fallout

When businesses cut back production, delay purchasing new equipment, and shed jobs for more than a few months, the economy slips into recession. These actions are the usual outward signs of a recession, but the underlying causes tend to vary from recession to recession.

The subprime mortgage crisis was the underlying cause of the last recession (March 2007 to January 2009), often described as a “balance sheet recession.” The steep drop in household and business net worth the crisis triggered ultimately complicated subsequent economic recovery.

“Balance sheet recessions are steeper and last longer than non-balance sheet recessions, and they are followed by weaker recoveries as households reduce their spending and pay down debt to repair net worth,” Connecticut Labor Department economists [explained](#).

Table 1: Recession Era Economic Development Programs

TO STIMULATE EXPANSION OF INDIVIDUAL BUSINESSES			
Financial Assistance	Equity Capital	Tax Incentives	Services
<ul style="list-style-type: none">• Revolving loan program for small businesses and nonprofits (2010)• Substantial financial assistance for large-scale development projects (First Five Plus Program) (2011)• Expedited loans for small businesses (Small Business Express (EXP) (2011)• Six-month partial wage subsidies for new hires (State Employment and Training Program (STEP UP) (2011)	<ul style="list-style-type: none">• Investment options expanded for Connecticut Innovations (CI), state's venture capital agency (2016)• CI authorized to encourage the formation of private Connecticut based venture capital funds (2018)	<ul style="list-style-type: none">• Eligibility for job creation tax credits extended to all in-state businesses (2007)• Insurance premium tax credits for investments in Connecticut businesses (2010)• Separate job creation tax credit programs consolidated in one program (2011)	<ul style="list-style-type: none">• One-stop shopping authorized for small business assistance (2010)• Permit ombudsman created for development projects (2010)• Program for marketing Connecticut-made products established (2012)• Funding approved for Connecticut Supplier Connection (2016)• Business hotline authorized (2017)• Connecticut-made Logo Program authorized (2017)
TO STIMULATE INDUSTRY SECTOR TRANSACTIONS			
Financial Assistance	Equity Capital	Tax Incentive	Services
<ul style="list-style-type: none">• Bonds for Bioscience Cluster at UConn Health Center and technology park at Storrs (2011)• Bioscience Innovation Fund established to finance many types of bioscience projects (2013)• Stem cell research fund expanded to include regenerative medicine research (2014)• Manufacturing Innovation Fund established for expanding facilities, developing products, and obtaining matching grants (2014)• Fund established to support research relevant to state's major industry sectors (2018)	<ul style="list-style-type: none">• Bond-funded pre-seed financing for developing new products (2010)• Personal income tax credits for investing in technology-based businesses (i.e., angel investors) (2010); extended to more sectors in 2017• Bonds authorized for recapitalizing CI venture capital programs (2011)• Personal income tax credits authorized for bioscience businesses investments (2018)	<ul style="list-style-type: none">• Transferable tax credits authorized for developing film infrastructure and producing digital media (2007)• Tax deferred saving accounts authorized for manufacturers to save money for purchasing machinery or training workers (2011)• Bonds authorized for community college manufacturing technology programs (2011)• Compensation authorized for manufacturers with stranded R&D tax credits (2014)	<ul style="list-style-type: none">• Joint UConn and Connecticut Center for Advanced Technologies program authorized to help small manufacturers develop innovative technologies (2012)• Program promoting southeastern Connecticut's bioscience cluster authorized (2014)• Preparation of sector-specific education, training, and placement plan authorized (2014)• Identification of critical technology job shortages authorized (2016)• Bioscience Health Care Data Collaborative made permanent (2017)
TO STIMULATE HIRING AND RETAINING SKILLED WORKERS			
Tax Incentives		Services	
<ul style="list-style-type: none">• Manufacturing apprenticeship credit amounts increased (2013)• Ability to earn and sell manufacturing apprenticeship tax credits extended to LLCs and other pass-through entities (2014)		<ul style="list-style-type: none">• Preparation of older workers quick reference guide and promotion of hiring and retaining such workers (2014)• Long-term private sector job creation project authorized (2016)• Committee to advance manufacturing careers authorized (2016)• Workforce Training Authority established (2017)• Bonding for training entry level workers in skill-shortage areas provided (2018)	
TO STIMULATE CONVERTING RESEARCH INTO NEW PRODUCTS AND SERVICES			
Financial Assistance	Tax Incentives	Services	
Grants for developing “innovation places” authorized (2016)	State and local enterprise zone types benefits authorized for university sponsored knowledge enterprise zones (2016)	<ul style="list-style-type: none">• Entrepreneurship-focused quasi-public subsidiary established (2016)• Website promoting state-funded startups seeking private venture capital authorized (2016)• Entrepreneur-in-residence program established (2018)	

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More**

"Job Creation by Startups and Young Companies," [OLR 2016-R-0003](#)

"State Strategies for Growing Businesses and Creating Jobs," [OLR 2015-R-0002](#)



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