Connecticut
Department of Economic and Community Development

2021 Annual Report

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I. BUSINESS ASSISTANCE TAX CREDITS

A. DECD Administered Business Assistance Tax Credit Programs

For a listing of DECD tax credit recipients, please click here.

Estimated Economic Impacts of Tax Credit Programs: Methodology

The economic impact analyses of the tax credits below consist of either an estimated direct impact analysis or an estimated total impact analysis. The estimated direct impact is the tax revenue generated by the activity for which the tax credit is awarded: these are the estimated tax revenues generated by the newly created jobs and the construction and investment activity. New jobs generate new income taxes and the construction and investment generates new sales taxes. The direct net economic impact is the sum of the estimated income taxes and estimated sales taxes minus the lost tax revenues to the state due to the tax credit. Direct corporate taxes are not reported as we do not have a reliable method of estimating it. The direct impact is the most conservative estimate of the economic impact of the program under review. The estimated net direct impact analysis does *not* include any potential downstream impacts in the economy from the additional spending or jobs created.

The estimated total impact is the sum of the direct, indirect and induced impact of the tax credit program. The total estimated fiscal revenues reported therefore incorporate the 'direct' additions to state net revenues (the "direct impact" explained above), the 'indirect impacts' (for example, the income taxes from the construction jobs needed to build a new building) and the 'induced impact' (for example, revenues generated when new employees at the company and those filling indirectly created jobs spend their income on food, clothing and other items which would generate sales tax revenue to the state). Estimated state expenditures incorporate the direct cost to the state of the tax credits, plus additional indirect and induced government spending due to the additional economic activity. We use the total economic impact evaluation methodology when we have insufficient data to conduct a direct impact analysis. This typically happens when the goal of the tax credit goes beyond job creation and investment; for example, enterprise zones which target development in the local community, and film tax credits which aim to build a film and digital media industry in the state. For these types of programs, we estimate the total economic impact using DECD's REMI Tax-PI model.

1. Special Act- Lockheed Martin

i) Program Description

In FY 2017 DECD and Lockheed Martin Corporation entered into a Special Act contract for up to $140,000,000 in grants and $80,000,000 in sales and use tax exemptions to be funded evenly between 2019 and 2033. In exchange for this assistance Lockheed Martin will maintain its primary helicopter manufacturing operation and headquarters in Connecticut and produce up to 200 CH-53K (King Stallion) heavy lift helicopters in the state through at least June 2032. Please click here for additional details on the employment, in-state supply chain spending, and capital expenditure targets Lockheed Martin must achieve to earn the entire incentive package.

Based on the maximum contracted employment, the project's financial assistance per job is shown in the table below.

Table 1: Financial Assistance per Job	
Total Assistance	$220,000,000
Jobs to be created and retained	8,582
Total Assistance per Job	$25,635

Source: DECD

ii) Program Activity

As of June 30, 2021, Lockheed Martin has earned an offset of $17,142,000 in sales and use taxes and obtained $18,017,856 in grant funding. Additional grant funding was released by DECD in FY 2022 and will be reported in the next annual report. The table below shows the estimated revenues from Lockheed Martin in FY 2019 through FY 2021, based on data reported by the company.

Table 2: Net Direct Economic Impact of Lockheed Martin FY 2019-FY 2021	
New Jobs Reported	1,601
Estimated Income Taxes from New Jobs	$24,143,095
Estimated Sales Taxes from Capital Expenses	$17,582,326
Estimated Direct Total State Revenue	$41,725,422
Incentive Cost to State*	$18,845,103
Net Direct State Revenue	$22,880,318

Source: DECD Analysis
Note: Direct State Revenue does not include estimates of corporate business taxes or other direct taxes. The incentive cost to the state are the tax credits and debt service on grants awarded.

2. Stranded Tax Credit/ Sales and Use Tax Offset Program

i) Program Description

The Stranded Tax Credit program was established in June 2017 by Public Act 17-2. Per statute, the program is capped at $50,000,000. An accumulated credit is defined as non-incremental research and development tax credits (CGS Sec. 12-217n) that have not been taken through the business's last complete income year prior to its program application date (therefore, the credits are "stranded"). This program is designed to allow businesses to offset such Accumulated R&D Credits against their sales and use tax liabilities so long as it undertakes a capital project that meets one of the following objectives:

- Expands the business's scale or scope
- Increases employment at the business
- Generates a substantial return to the state's economy

ii) Program Activity

As of FY 2021 DECD approved 2 applications.

Table 3: Stranded Tax Credit Activity as of June 30, 2021				
Company	**Contract Date**	**Credits Allocated**	**Credits Issued**	**Status of Capital Project**
ASML US LLC	6/27/2018	$6,000,000	$6,000,000	Complete
Boehringer Ingelheim USA Corporation & Boehringer Ingelheim Pharmaceuticals, Inc.	2/18/2020	$14,000,000	$0	In process
Total		$20,000,000	$6,000,000	

Source: DECD

Table 4: Financial Assistance per Job	
Total Tax Credits Allocated	$20,000,000
Jobs to be created and retained	3,949
Total Credits Allocated per Job	$5,065

Source: DECD

Note: ASML also received MAA funding. The contractual job requirement is included in the table above.

iii) State Revenue Generated

ASML received their full allocation of credits in FY21. The estimated revenues generated to date and the 10-year projection assuming current employment levels is shown below.

Table 5: ASML Sales and Use Tax Offset State Revenue To-Date and Projection		
	Revenue Totals To-Date 2018-2021 (Nominal $)	10-Year Projected Totals (Nominal $)
Tax Credits Earned	$6,000,000	
Estimated Income Taxes - Direct	$9,992,008	$29,752,200
Estimated Sales Taxes - Direct	$1,840,205	$1,840,205
Total Estimated State Revenue - Direct	$11,832,213	$31,592,405

Source: DECD Analysis

Note: Direct State Revenue does not include estimates of corporate business taxes or other direct taxes.

The table below shows the estimated revenues from Boehringer at the time of application. The projections will be updated when the company begin to claim credits.

Table 6: Boehringer Sales and Use Tax Offset State Revenue Projection		
	5-Year Totals (Nominal $)	10-Year Totals (Nominal $)
Tax Credits Allocated	$14,000,000	
Estimated Income Taxes - Direct	$834,560	$2,124,374
Estimated Sales Taxes - Direct	$3,525,520	$3,881,120
Total Estimated State Revenue - Direct	$4,360,080	$6,005,494

Source: DECD Analysis

Note: Direct State Revenue does not include estimates of corporate business taxes or other direct taxes.

iv) Recommendation:

DECD recommends the program continue within available appropriations.

3. Urban and Industrial Site Reinvestment Tax Credit (URA)

i) Program Description

URA credits are designed to incent development of new jobs and economic activity by companies or developers across the state. The full tax credit is allowable over ten years as follows:

- The income year in which the investment was made and the two succeeding income years, 0%;
- The third full income year following the year in which the investment was made and the three succeeding income years, 10%; and,
- The seventh full income year following the year in which the investment occurred and the two succeeding income years, 20%.

The URA program is capped at $950 million in awardable credits and individual projects may not exceed $100 million in awardable credits. If a project exceeds $20 million in awardable tax credits, it must be approved by the legislature. These credits may be assigned once by the holder.

ii) URA Program Activity

The table below shows the URA recipients over the last ten years along with the total tax credits awarded and earned (the state's tax cost). This list contains companies that signed contracts within this time frame. The total credits awarded as presented below represent the potential credits the company may claim. Credits for which certificates were issued to companies by DECD from FY 2012 through FY 2021 are listed under "credits earned."

Table 7: Urban and Industrial Site Reinvestment Tax Credits, FY 2012-FY 2021

Applicant	Town	Contract Fiscal Year	Total Credits Awarded	Total Credits Earned
Chemtura Corporation	Middlebury	2012	$8,000,000	$8,000,000
CIGNA Health and Life Insurance Company	Bloomfield	2012	$30,000,000	$30,000,000
Dollar Tree Distribution, Inc.	Windsor	2012	$20,000,000	$16,000,000
FactSet Research Systems, Inc. (Project 2)	Norwalk	2012	$8,000,000	$8,000,000
Alexion Pharmaceuticals, Inc.	New Haven	2013	$5,000,000	$5,000,000
Plainfield Renewable Energy, LLC	Plainfield	2013	$10,000,000	$10,000,000

Table 7: Urban and Industrial Site Reinvestment Tax Credits, FY 2012-FY 2021				
Applicant	**Town**	**Contract Fiscal Year**	**Total Credits Awarded**	**Total Credits Earned**
ESPN, Inc.	Bristol	2014	$10,000,000	$10,000,000
Frito-Lay, Inc.	Dayville	2014	$3,000,000	$2,400,000
HomeServe USA Corp.	Norwalk	2014	$15,000,000	
Lee Company	Westbrook	2015	$10,000,000	$6,000,000
Pitney Bowes	Stamford	2015	$10,000,000	$3,894,550
Vineyard Vines	Stamford	2015	$8,000,000	$3,200,000
XL America, Inc.	Hartford	2015	$7,255,184	$2,176,554
Bridgewater Associates, LP	Westport	2016	$30,000,000	$6,000,000
Conair Corporation	Stamford	2016	$15,000,000	$11,400,000
Fed Ex	Middletown	2016	$20,000,000	$6,000,000
Praxair, Inc.	Danbury	2016	$16,000,000	
Bob's Discount Furniture	Manchester	2017	$11,000,000	$2,200,000
Partner Reinsurance Company	Greenwich	2017	$3,500,000	
Polamer Precision	New Britain	2017	$10,000,000	
Trader Joe's East, Inc.	Bloomfield	2017	$7,000,000	$700,000
Henkel of America, Inc.	Rocky Hill	2018	$5,000,000	$500,000
Indeed, Inc.	Stamford	2018	$15,000,000	
Charter Communications	Stamford	2019	$15,000,000	
Charter Communications	Stamford	2019	$8,000,000	
Indeed, Inc.	Stamford	2019	$5,000,000	
World Wrestling Entertainment	Stamford	2019	$8,500,000	
Nordson Corporation	Norwich	2021	$900,000	
TOTAL			**$314,155,184**	**$131,471,104**

Source: DECD
Note: The tax credit awards may have been reduced to account for reallocated funds. Companies that left the program without receiving a URA credit have been removed from this table.

iii) Estimated Direct Economic Impact of the URA Program

The table below presents the estimated direct economic impact of companies that entered the URA program over the last ten years. The data used to evaluate the fiscal impact is supplied by the companies during their annual certification process. The direct jobs data consists only of newly created jobs reported by the companies while active in the program and does not include retained jobs. The direct state revenue comprises estimated income tax revenues generated by the new jobs plus estimated sales tax revenues generated by the eligible capital expenses. Some companies were eligible for exemptions under the sales and use tax exemption program administered by Connecticut Innovations; these amounts were deducted from the sales tax estimations.

Table 8: Net Direct Fiscal Impact of URA Program in Nominal Dollars FY 2012-FY 2021	
	URA Direct Impact
New Jobs Reported – Annual Average Above Baseline*	2,235
Estimated Cumulative Direct State Revenue	$196,484,472
Estimated Cumulative Direct State Costs (Tax Credits)	$131,471,104
Estimated Cumulative Net Direct Revenue	$65,013,368

Source: DECD

*Note: *Direct jobs are those reported by the companies to DECD while active in the program. Direct State Revenue does not include estimates of corporate business taxes or other direct taxes.*

The table below shows the tax credit allocated per job to be created or retained.

Table 9: URA Tax Credits Allocated per Job to be Created or Retained Based on Maximum Contractual Job Obligations	
Tax Credits Allocated	$314,155,184
Jobs to be Created or Retained	27,781
Tax Credits Allocated per job	11,308

Source: DECD

Note: The number of jobs retained and created have been adjusted to account for duplication for companies that have received assistance from more than one program or more than one URA contract. If a company has an MAA/URA contract the jobs are included above unless the company has left the URA program without receiving a tax credit.

iv) Recommendation:

We recommend maintaining the URA tax credit program because it has generated sizable net benefits. Moreover, qualifying firms are reviewed each year and may incur penalties and/or reduced tax credits if they do not meet job or net benefit requirements. This allows DECD to closely monitor the program, track the economic activities and benefits associated with the program, and only provide tax benefits for value created.

4. Film, Television and Digital Media Tax Credits

i) Program Description

The Office of Film, Television & Digital Media assists film, television and digital media companies with three tax incentive programs based on qualified in-state expenditures. *Film tax credit recipients can be found here.*

(1) Film & Digital Media Production Tax Credit

An eligible production company that produces a qualified production and incurs qualified production expenses or costs in excess of $100,000 may apply for a tax credit equal to 10% to 30% of production expenses and costs incurred in Connecticut. Expenses claimed for the film and digital media production tax credit may not be used in claiming either the digital animation tax credit or the infrastructure tax credit (see below). This tax credit intends to attract more film, television, and digital media productions to the state than if the credit did not exist.

As of July 1, 2013, motion pictures are no longer a "qualified production" with the exception of any motion picture for which twenty-five per cent or more of the principal photography shooting days are at a facility that receives not less than twenty-five million dollars in private investment and opens for business on or after July 1, 2013.

(2) Film Production Infrastructure Tax Credit

This tax credit is available to a taxpayer that invests in a state-certified entertainment infrastructure project. The credit intends to help establish a film and digital animation industry presence in Connecticut by incentivizing capital investment in plant and equipment for pre- and post-production facilities and investment in educational programs that produce the workforce needed by the film and digital animation industry.

(3) Digital Animation Tax Credit

A Digital Animation Tax Credit is available to state-certified digital animation production companies that engage in digital animation production activities on an ongoing basis. The credit intends to help establish a digital animation industry presence in Connecticut by incentivizing increased employment and capital investment in plant and equipment for digital animation facilities.

ii) Program Activity

During FY 2021, over $119 million in tax credits were issued for $400.5 million spent in Connecticut by qualified productions (the productions mostly occurred prior to FY 2021).

Table 10: DECD FY 2021 Film Tax Credit Activity			
Tax Credit Program	Company Spend	Tax Credits Issued	Number of Credits
Film, Television & Digital Media	$400,545,435	$119,894,531	30
Digital Animation Production Co.	$0	$0	0
Film Infrastructure	$0	$0	0
TOTAL	**$400,545,435**	**$119,894,531**	**30**

Source: DECD

iii) Estimated Economic and Fiscal Impacts of the Film Tax Credits

DECD retained a consulting firm specializing in film, television and digital media industry-specific economic impact studies to perform an evaluation of the agency's film incentive programs, which was released in February 2022. The study can be found here.

iv) Recommendation

The commissioned independent study concluded that Connecticut's unique combination of production and infrastructure incentives have contributed significantly to the development of the state's film, television and digital media ecosystem. Going forward the DECD should continue to systematically collect actionable metrics and at a regular cadence conduct similar, compatible, in-depth studies of our screen industry incentives to better understand program performance and opportunities to improve delivery.

5. Insurance Reinvestment Fund Tax Credits

i) Program Description

The Insurance Reinvestment Fund (IRF) tax credit was designed to stimulate investments in Connecticut's insurance businesses and businesses providing services to insurance companies to help them grow. The original program was modified by the legislature in the 2010 legislative session and now the two programs (the original version and the modified version) are known as the First and Second Insurance Reinvestment Fund tax credit programs. The second program was further amended in 2015 to form a third program named CTInvest. No new investments are now eligible under the First Insurance Reinvestment Program and no new credits have been issued. This section details the two programs that are currently active, and the following sections evaluate their performance.

Tax credits are available to taxpayers making investments in an Insurance Reinvestment Fund that then reinvests in Connecticut companies in targeted industries. Investors could make debt or equity investments and receive a dollar-for-dollar tax credit equivalent to their investment prorated over ten years such that under the Second Insurance Reinvestment program, 10% of the credit could be claimed in years four through seven and 20% of the credit could be claimed in years eight through ten. Under CTInvest, the credits are distributed in years six through ten in tranches of 20%.

To obtain the credit, the insurance business in which the investment was made had to annually submit a request for eligibility with DECD to determine whether the requirements of the program were met. We do know the number of jobs created as a result of the investment in each company by comparing the number of jobs at application with the number of jobs reported during the annual eligibility process. The difference is assumed to be a result of the investment.

(1) Second Insurance Reinvestment Fund Tax Credit

The Second Insurance Reinvestment Fund tax credit can only be applied against the taxes imposed under Chapters 207 (insurance, hospital and medical services corp. tax), and CGS §38a-743 (insurance premiums tax). No new investments occurred in FY2021 under the Second IRF tax credit. Additional credits of $3.98 million were issued in FY2021. The results below cover the full time period during which the Second IRF program has been active, and therefore includes some 2011 activity as well.

i. **Estimated Net Economic Impact of the Second Insurance Reinvestment Fund Tax Credit**

The total economic impact of the Second IRF program was estimated using the REMI Tax-PI model. The table below reports the results of the economic simulation. These numbers represent the estimated net new economic activity in the Connecticut economy generated by the Second Insurance Reinvestment Tax Credit. The total impact includes estimated direct, indirect and induced economic activity.

Table 11: Estimated Economic Impact of the Second Insurance Reinvestment Fund Tax Credit from 2011-2021

	Total Impact	**Revenue earned per $1 of credit**
Total Fund Investments	$198,215,683	
Estimated Total New Jobs* – Annual Average Above Baseline	5,014	
Total Credits Issued	$198,020,000	
Estimated Cumulative Total State Revenues	$240,863,937	$1.22
Estimated Cumulative Total State Expenditures	$217,756,683	
Estimated Cumulative Net State Revenue	$23,107,254	

Source: DECD
*Note: *Total jobs are estimated new direct, indirect and induced employment as a result of the program. Total state revenues and expenditures are the sum of the estimated new direct, indirect and induced state revenues and expenditures generated by the program.*

(2) CTInvest - Third Insurance Reinvestment Fund Tax Credit

In 2015, the legislature amended the Insurance Reinvestment Fund tax credit to provide a new tax credit under the name CTInvest which can only be applied against the taxes imposed under Chapters 207 (insurance, hospital and medical services corp. tax), and CGS

§38a-743 (insurance premiums tax). This tax credit was an extension of the second Insurance Reinvestment Fund tax credit. Under this program is the tax credit certificates are to be distributed in years six through ten in tranches of 20%. The first certificates were distributed in FY 21.

Table 12: CTInvest Fund Managers' Investments and Job Creation 2016-2021	
Investments by Industry	**Total**
Utilities	$18,560,000
Construction	$2,800,000
Food Manufacturing	$7,500,000
Paper Manufacturing	$15,968,226
Chemical Manufacturing	$7,821,592
Fabricated Metal Product Manufacturing	$18,350,000
Computer and Electronic Product Manufacturing	$3,938,865
Electrical Equipment and Appliance Manufacturing	$2,700,000
Merchant Wholesalers, Nondurable Goods	$1,100,000
Retail Trade	$12,022,000
Publishing Industries Except Internet	$17,593,303
Telecommunications	$1,500,000
Other Information Services	$1,300,000
Securities, Commodity Contracts and Other Financial Investments and Related Activities	$3,000,000
Professional and Technical Services	$18,971,716
Administrative and Support Services	$544,488
Waste Management and Remediation Services	$29,781,078
Ambulatory Health Care Services	$13,905,200
Social Assistance	$9,246,764
Performing Arts, Spectator Sports	$1,250,000
Total Investments	**$187,853,231**
Job Creation (across all industries)	**703**
Tax Credits Issued by DECD	**$11,372,346**

Source: DECD

Note: Does not include jobs that were counted towards other DECD assistance.

i. Estimated Net Economic Impact of CTInvest (Third Insurance Reinvestment Fund Tax Credit)

The total economic impact of the CTInvest program was estimated using the REMI Tax-PI model. The table below reports the results of the economic simulation. These numbers represent the estimated net new economic activity in the Connecticut economy generated by the CTInvest Tax Credit. The total impact includes estimated direct, indirect and induced economic activity.

Table 13: Estimated Economic Impact of the CTInvest Tax Credit from 2016-2021		
	Impact	**Revenue earned per $1 of credit**
Estimated Total New Jobs – Annual Average Above Baseline	1,265	
Total Credits Issued	$11,372,346	
Estimated Cumulative Total State Revenues	$35,475,693	$3.12
Estimated Cumulative Total State Expenditures	$16,231,090	
Estimated Cumulative Net State Revenue	$19,244,603	

Source: DECD
*Note: *Total jobs are estimated new direct, indirect and induced employment as a result of the program. Total state revenues and expenditures are the sum of the estimated new direct, indirect and induced state revenues and expenditures generated by the program.*

ii) Recommendation

Because the first certificates were distributed in FY 21, it is too early for DECD to make a recommendation based on the program's performance. DECD will continue to monitor the impact of the program and recommends the program continue within available appropriations.

6. Property Tax Abatements for Investment in Enterprise Zones

i) Program Description

Companies that locate in an Enterprise Zone can apply for a five-year, 80% abatement of local property taxes on qualifying real and personal property subject to the property being new to the grand list of the municipality as a direct result of a business expansion or renovation project or in the case of an existing building, having met the vacancy requirement. The firm's property tax abatement is equal to 80% of the assessed value (which is 70% of market value) of new plant and equipment, multiplied by the appropriate mill rate. The State reimburses the municipality for 50% of the foregone taxes.

There are several types of Enterprise Zones across the state. Targeted Investment Communities may offer EZ benefits within their bounded Enterprise Zones, as well as offering entertainment district and/or railroad depot zone benefits, where pre-approved by DECD. The Urban Jobs Program provides EZ-level benefits to eligible companies with suitably induced projects located in a Targeted Investment Community but outside of the bounded Enterprise Zone, the entertainment district, and the railroad depot zone. Other zones across the state within the Enterprise Zone Program include: Airport Development Zones, Bioscience Enterprise Corridor Zones, Contiguous Municipality Zones, Defense Plant Zones, Enterprise Corridor Zones, Knowledge Center Enterprise Zones, and Manufacturing Plant Zones.

Details about the various Enterprise Zones can be found here.

ii) Program Activity

The table below shows the dollar amounts claimed for newly certified eligible investments and the associated value of the investments for 2021. DECD certifies companies as being eligible for EZ benefits, and municipalities that grant the abatements file claims with the state's Office of Policy and Management (OPM) for state reimbursement.

Table 14: Property Tax Abatements for Investment in Enterprise Zones, 2021 (Grand List Year 2020)	
Claimed Abatements for Newly Certified Investments	$948,415
Number of New Certifications	23

Table 14: Property Tax Abatements for Investment in Enterprise Zones, 2021 (Grand List Year 2020)	
Associated Investment Value Based on Assessment	$49,347,337

Source: DECD and OPM

iii) Estimated Economic and Fiscal Impacts of the Property Tax Abatements for Investment in Enterprise Zones

Because we do not have employment and other relevant data from the companies that received this benefit, we analyze the estimated total economic impact of the enterprise zone abatements for 2021 utilizing the REMI Tax-PI model. The estimated total impact is the sum of the direct, indirect and induced impact of the tax credit program. The program year for the EZ program is the Grand List Year (GLY), which runs October 1st through September 30th, with the October date determining the GLY.

The results below are for GLY 2020 investments. The 2021 impact analysis only incorporates investments that were new to the municipalities' grand lists for GLY 2020, as DECD does not have employment and other data from previously approved recipients to conduct an ongoing analysis of their impacts to the region. Claims under all Enterprise Zone types are in the data provided to DECD by OPM and are incorporated into the impact analysis below.

We assume the investment would not have occurred in the region were not for the EZ program. Companies may claim abatements for two types of property new to the grand list: real estate and personal property. Real estate investments could either be acquisitions or construction and/or renovations. Estimates provided to DECD by the companies seeking certification in GLY 2020 showed an average of 20% of real estate investment was targeted for acquisition, and 80% was targeted for construction and/or renovation. We assumed actual investments made followed the same plan and applied these same percentages towards the market value of real estate claims (actual expenses may differ from projections provided to DECD). We assume the state will reimburse the municipalities for the full 50% of the abatements. The full estimated economic impact is shown below.

The estimated results suggest that the EZ abatement program had a positive impact in 2021 for GLY 2020 investments, with over three dollars earned for each dollar the state contributed to the program. This is a partial analysis as it does not include abatements made for projects beginning in prior years.

Table 15: Estimated Economic Impact of New Investments
Enterprise Zone Program 2021

	Impact in 2021 (GLY 2020)	Revenue earned per $1 of state contribution
Abatements Claimed for New Investments	$948,415	
Assumed State Reimbursement to Towns	$474,208	
Estimated Total State Revenues*	$1,627,160	$3.43
Estimated Total State Expenditures	$475,564	
Estimated Net State Revenue	$1,151,596	

Source: DECD
*Note: *Total state revenues and expenditures are the sum of the estimated new direct, indirect and induced state revenues and expenditures generated by the program.*

It is important to note that the purpose of the enterprise zone program is to yield benefits to the designated community, and the return to the state is of secondary concern. The goal is that by locating in an area in which it normally would not, the company fuels local economic development by employing local residents and stimulating local businesses. The community's tax base is also strengthened.

iv) Recommendation

Requirements should be added to the program to ensure that the benefits to the state, by way of increased revenue, offset the cost of the state's reimbursement to the municipality for the tax abatement. Additionally, this program should be funded by the state on an ongoing annual basis (where the state reimburses local communities for 50% of the abatement) through the General Fund versus bonded financing. The Distressed Funding does have a line item in the General Fund but in the past two years, the amount budgeted has not been sufficient to reimburse the claims in full. The additional money necessary has been brought to the Bond Commission in these last two years and approved in full.

B. Non-DECD Administered Business Assistance Tax Credit Programs

In this section, we present available information on tax credit programs that target economic development but are not administered by DECD. The analysis provides estimated activity incented by the credit, which is a measure of the direct economic activity associated with the credit.

We are unable to do an extended analysis of these credits or make a recommendation about the programs because we do not have the necessary information. DECD has not conducted an audit, review or compilation of the data below. Therefore, DECD cannot attest to the validity and accuracy of the information submitted.

1. Angel Investor Tax Credit

The Angel Investor tax credit is administered by Connecticut Innovations, Inc. (CI). It provides a credit for a cash investment of not less than $100,000 (and not less than $25,000 effective October 27, 2011) in the qualified securities of a Connecticut business by an angel investor. The credit is applicable to taxable years beginning on or after January 1, 2010 and is applicable to the investors' personal income tax. Qualified Connecticut businesses must have been in business for less than seven years and have less than 25 paid employees, 75% of whom must be Connecticut residents. Gross revenue must be less than $1 million and management and their families must have majority ownership of the venture.

An ***angel investor*** is an accredited investor, as defined by the Securities and Exchange Commission, or network of accredited investors who review new or proposed businesses for potential investment who may seek active involvement, such as consulting and mentoring, in a Connecticut business. The angel investor may apply to CI to reserve a tax credit equal to 25 percent of the cash investment. The angel investor must choose from a list of Connecticut businesses that CI has determined are qualified to receive cash investments eligible for the angel investor tax credit. The angel investor must not have a majority ownership of the business it seeks to invest in.

The most current statistics for this program are shown below (2020 is the most recent tax year we have tax claims data for), followed by a summary of the investments by industry.

Table 16: Angel Investor Tax Credit Program (01/2012-12/2021)	
Number of Investments	1,435
Investments in Qualified Connecticut Businesses	$113,558,120
Tax Credits Issued (through 12/31/2021*)	$28,389,530
Tax Credits Claimed (through 2020, from DRS)	$19,968,241

*Source: Connecticut Innovations and DRS, *2021 data preliminary*

The businesses by broad industry category and the amounts invested in them are shown below.

Table 17: Angel Investments by Company Category, 2012-2021	
Bioscience	$49,683,855
Clean Technology	$8,472,773
Information Technology	$43,484,148
Advanced Materials	$640,000
Other	$11,277,343
Total	**$113,558,120**

Source: Connecticut Innovations
Note: Numbers may not total due to rounding.

The Angel Investor tax credit was created to encourage investment in certain targeted industries and almost all qualified companies have so far received funds.

2. Sales and Use Tax Exemption

The Sales and Use Tax exemption is administered by Connecticut Innovations, Inc. (CI). The exemption is for a company's anticipated qualifying capital equipment and/or construction materials. This exemption will relieve the company and/or the developer from Connecticut sales tax, up to a CI Board-approved amount. Active deals as of 06/30/2021 are listed in the table below.

Table 18: FY 2021 Sales and Use Tax Exemption Active Deals				
Date Approved	**Company Name**	**Approved Exemption**	**Eligible Purchase Total (based on 6.35% sales tax)**	**Exemption Used (through FY 2021)**
08/15/18	Raymour and Flanigan	$850,000	$13,385,827	$735,737
06/18/18	Electric Boat	$20,000,000	$314,960,630	$4,294,878
10/02/18	Walgreens	$350,000	$5,511,811	$57,465
10/02/18	Charter Communications	$8,400,000	$132,283,465	$6,194,458
06/26/18	Factset	$2,000,000	$31,496,063	$1,656,459
06/26/18	Branson	$1,400,000	$22,047,244	$666,661

Table 18: FY 2021 Sales and Use Tax Exemption Active Deals				
Date Approved	**Company Name**	**Approved Exemption**	**Eligible Purchase Total (based on 6.35% sales tax)**	**Exemption Used (through FY 2021)**
04/18/19	Cigna	$4,000,000	$62,992,126	$2,657,303
02/05/19	Indeed	$3,000,000	$47,244,094	$11,719
11/19/19	Horst	$350,000	$5,511,811	$185,868
06/23/20	Charter Communications	$7,000,000	$110,236,220	$1,282,649
02/06/20	500, LLC	$1,000,000	$15,748,031	$247,757
08/31/20	Americold	$1,500,000	$23,622,047	$482,502
04/06/21	Frito-Lay	$5,500,000	$86,614,173	$57,618
06/23/20	101 College Street, LLC	$5,000,000	$78,740,157	$0
	TOTAL	**$60,350,000**	**$950,393,701**	**$18,531,073**

Source: Connecticut Innovations

Companies currently active in the program have an approved total of $60.35 million in sales and use tax exemptions, of which $18.5 million of have been claimed. The eligible construction and capital expenses amount to $950 million.

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II. ECONOMIC DEVELOPMENT PROGRAMS AND ACTIVITIES

A. Economic Development Investment Analysis

A listing of DECD's Economic Development recipients over the last 10 fiscal years can be found here. DECD's Recovery Bridge Loan recipients can be found here.

The table below shows the various types of direct financial assistance DECD provided over the last 10 fiscal years (2012-2021).

Table 19: Active Direct Assistance Portfolio Value by Assistance Type				
	FY 2021		Portfolio	
Assistance Type	Assistance Amount	Percentage of Total	Assistance Amount	Percentage of Total
Loans	$19,390,000	94.7%	$892,743,353	66.6%
Grants	$1,075,925	5.3%	$448,117,145	33.4%
TOTAL	**$20,465,925**	**100.0%**	**$1,340,860,498**	**100.0%**

Source: DECD
Note: Numbers may not total due to rounding

The state's borrowing cost per the Office of the State Treasurer as of June 30, 2021 was 1.90% for 20-year tax-exempt bonds. The following table provides a breakdown of DECD's active portfolio by funding source. Please note that throughout this section MAA program data includes First Five companies that received direct financial assistance.

Table 20: Value by Funding Source						
	FY 2021			Portfolio		
Funding Source	No. of Companies	Assistance Amount	Percentage of Total	No. of Companies	Assistance Amount	Percentage of Total
MAA	7	$19,095,925	93.3%	244	$940,877,079	70.2%
EXP	6	$1,370,000	6.7%	1,170	$237,333,419	17.7%
Other	0	$0	0.0%	4	$162,650,000	12.1%
TOTAL	**13**	**$20,465,925**	**100.0%**	**1,418**	**$1,340,860,498**	**100.0%**
MAA- Lending Partners				78	$6,830,606	n/a
MAA- CI Seamless				10	$5,820,000	n/a
EXP- Lending Partners				307	$36,642,770	n/a
Inactive MAA Projects				20	$77,479,199	n/a
Inactive EXP Projects				745	$76,730,460	n/a

Source: DECD
Note: For MAA funding, only business assistance recipients are included in the count above. Manufacturing Innovation Fund projects funded with MAA funds are not included in this section. Companies may have received funding under more than one program or under more than one contract. Companies assisted by DECD's lending partners and MAA-CI Seamless recipients are not listed on Open Data since compliance is managed by our Partner entity. Inactive projects include companies that have gone out of business, repaid their assistance and left the program or completed all the contract requirements. A company may appear on the active and inactive list if it has multiple contracts. Inactive projects, lending partner projects and Seamless projects are not included in the tables that follow unless otherwise noted. The Recovery Bridge Loans, Connecticut CARES Small Business Grant and Connecticut CARES Business Grants are not included in this section but are reported on the DECD COVID Assistance section of this report.

As a result of DECD's active business assistance investments of approximately $1.3 billion, an additional $5.3 billion was invested in Connecticut's economy. In other words, for every dollar invested by DECD, approximately $4 was invested by other sources into the same business projects.

Table 21: Active Portfolio Leverage Ratio

	Leverage Ratio	Non-DECD Funds	DECD Investment
Active Portfolio	3.9	$5,287,075,796	$1,340,860,498

Source: DECD
Note: The table above includes $1,184,000,000 in project costs for Lockheed Martin, a Special Act recipient. This is a $140,000,000 grant with a total budget of $19,341,402,994. Including the total $19B budget would have skewed the leverage ratio.

In FY 2021 DECD estimated $12,630.625 in MAA loans and $11,723,610 in EXP loans were uncollectable. This may include lending partner loan and Seamless loans and include contracts that originated outside the scope of this annual report. In FY 2021 DECD forgave $86,567,149 in MAA loans and $610,000 in EXP loans.

The table below shows the industry mix of DECD's active business assistance portfolio.

Table 22: Active Portfolio Industrial Composition

NAICS	Industry	Direct Assistance	%
31-33	Manufacturing	$638,937,158	47.6%
52	Finance & Insurance	$154,766,179	11.5%
54	Professional, Scientific, and Technical Services	$119,153,498	8.9%
51	Information	$86,665,613	6.5%
62	Health Care & Social Assistance	$56,296,414	4.2%
44-45	Retail Trade	$45,324,882	3.4%

Table 22: Active Portfolio Industrial Composition			
NAICS	**Industry**	**Direct Assistance**	**%**
56	Administrative and Support/ Waste Management	$45,309,353	3.4%
42	Wholesale Trade	$43,041,975	3.2%
81	Other Services (except Public Administration)	$28,921,272	2.2%
48-49	Transportation and Warehousing	$23,791,884	1.8%
72	Accommodation & Food Services	$19,957,409	1.5%
23	Construction	$18,746,527	1.4%
71	Arts, Entertainment & Recreation	$16,715,425	1.2%
61	Educational Services	$11,738,400	0.9%
53	Real Estate and Rental & Leasing	$9,475,780	0.7%
55	Management of Companies & Enterprises	$9,000,000	0.7%
11	Agriculture, Forestry, Fishing & Hunting	$6,007,300	0.4%
22	Utilities	$4,780,000	0.4%
21	Mining, Quarrying, and Oil & Gas Extraction	$2,000,000	0.1%
92	Public Admin Total	$231,430	0.0%
	TOTAL	**$1,340,860,498**	**100.0%**

Source: DECD
Note: Numbers may not total due to rounding.

B. Job Creation and Retention Analysis

The following information is a summary of job audits that have been conducted for companies in DECD's portfolio (Direct Assistance and URA Tax Credits) that have contractual employment obligations.

Table 23: Business Assistance Portfolio Job Audit Results as of 6/30/2021						
		Contract Requirements				**% of Contract**
Job Goal Attainment Status	**# of Audits Completed**	**Jobs Retained**	**Jobs Created**	**Total**	**Actual Jobs Per Audit**	**Requirement Attained**
Met	921	44,216	10,600	54,816	62,129	113.3%
Not Met	405	7,309	2,272	9,581	7,287	76.1%
TOTAL	**1,326**	**51,525**	**12,872**	64,397	**69,416**	**107.8%**

Source: DECD
Note: A company may have more than one audit. Duplicate jobs retained, created and jobs per audit have been removed from this analysis across contracts and programs. This table includes URA tax credit recipients with completed job audits. MAA and URA companies may have multiple audit requirements over a span of several years. The results above are not meant to show the results of the company's final job audit. It does not include companies that went out of business but includes audits for other inactive companies. COVID assistance programs do not have contractual employment obligations.

C. Wage Analysis

Tables in this section provide the results of a FY 2021 portfolio wage analysis based on survey results. Please note that Recovery Bridge Loan recipients are not included in this section.

Table 24: Active DECD Portfolio Wage Analysis Based on Survey Responses	
Weighted Average	$92,626
High	$238,423
Low	$17,188
Median	$51,385

Source: DECD

The following table shows the portfolio wage data, stratified by industry.

Table 25: Active DECD Portfolio Wages by Industry Based on Survey Responses

NAICS Code	NAICS Category	# of Companies	Weighted Average
52	Finance and Insurance	8	$128,287
51	Information	5	$98,402
54	Professional, Scientific, and Technical Services	29	$84,720
42	Wholesale Trade	6	$55,046
81	Other Services (except Public Administration)	10	$66,356
62	Health Care and Social Assistance	19	$55,455
31-33	Manufacturing	78	$98,890
23	Construction	9	$56,461
44-45	Retail Trade	15	$56,957
56	Administrative and Support and Waste Management/Remediation	4	$53,844
48-49	Transportation and Warehousing	2	$43,959
71	Arts, Entertainment and Recreation	4	$57,246
61	Educational Services	2	$42,941
53	Real Estate and Rental / Leasing	2	$60,561
72	Accommodation and Food Service	14	$43,930

Source: DECD

D. Economic Development Direct Assistance Programs

1. Manufacturing Assistance Act Program (MAA)

The MAA program is DECD's primary funding source for providing direct financial assistance to businesses. Per CGS Sec. 32-221, the goals of the MAA program are to:

- Promote the retention, expansion, and diversification of existing manufacturing and other economic base businesses in targeted industries;
- Encourage manufacturing and other economic base businesses from other geographic areas to locate into the state; and
- Enhance employment opportunity and the tax base of communities, particularly in the state's more economically disadvantaged communities.

An analysis of the MAA portfolio shows these goals are being met. Approximately 70% of MAA active assistance has gone to businesses in the manufacturing, finance & insurance and professional service industries. 51 MAA recipients are located in the state's distressed municipalities. Companies in DECD's MAA portfolio (active and inactive) have committed to create 16,164 jobs and retain 40,505 jobs. Please note these job numbers have been adjusted for duplication across contracts and programs.

Table 26: MAA Financial Assistance per Job to be Created or Retained Based on Maximum Contractual Job Obligations	
Total Assistance	$1,018,356,278
Jobs to be Created or Retained	56,669
Financial Assistance per Job	$17,970

Source: DECD

Notes: This calculation includes the Active and Inactive MAA projects. This table reflects a company's maximum job obligation and does not reflect actual jobs created or retained. Duplicate jobs to be created/retained have been removed. Duplicates could be caused by a company having multiple MAA contracts or MAA/URA contracts. Jobs for ASML are included in the Stranded Tax Credit section of this report.

i) Estimated Direct Economic Impact of the MAA Program:

The below table shows the cumulative direct impact of the MAA program over the most recent 10 years (FY 2012- FY 2021). The direct jobs are those reported to DECD as newly created jobs while active in the program. This data is obtained through company surveys and audits. The direct net state revenue estimated below is the difference between the direct revenues generated by the program and its direct expenses. The direct impact comes from the jobs created at the company and capital expenditures made by the recipients of the MAA funds, so the direct revenues under the program are the estimated income taxes and sales taxes generated by each of these respectively. The direct expenses are the costs to the state government to fund the program, which is the estimated debt service it pays on the bonds issued to finance MAA grants and loans. These costs are offset by the repayments of loans made by the recipients and any penalties they pay for not meeting required conditions after receiving the funds. Earned forgiveness reduces the loan repayment amounts and are incorporated into the totals as well. Some companies were eligible for exemptions under the sales and use tax exemption program administered by Connecticut Innovations; the exemptions claimed through FY2021 were deducted from the revenue estimations.

Table 27: MAA Estimated Direct Economic Impact FY 2012-2021	
New Jobs Reported – Annual Average Above Baseline*	7,345
Average Direct Net State Revenue	$14,959,649
Cumulative Direct Net State Revenue	$149,596,489

Source: DECD analysis

*Note: *Direct jobs taken into account for the direct impact estimations only include data from company surveys and completed audits taken while the company was active in the program. Retained jobs are not included in this estimation. Direct State Revenue does not include estimates of corporate business taxes or other direct taxes.*

The direct net revenue above shows that on *average* estimated direct revenues exceeded the estimated costs of the program by over $14.9 million a year over the last ten years, as the estimated cumulative total of the net direct revenue it generated over this time period is over $149 million (in nominal dollars). This analysis does not include any potential downstream (i.e. indirect and induced) impacts in the economy from the additional spending or jobs created.

ii) Recommendation

Pending legislative approval, DECD will use Jobs CT as its primary incentive tool and minimize the use of MAA. Jobs CT is designed to be a simple, transparent, targeted, earn-as-you-grow incentive for businesses to expand and relocate to Connecticut. More information can be found here.

Additionally, DECD plans to administer the Governor's Closing Fund. This fund will support large companies that relocate to Connecticut and create new jobs with grant funding to offset relocation costs.

2. Small Business Express Program (EXP)

The goal of the EXP program was to provide the capital necessary to fuel small business growth. The 1,915 companies funded through the EXP program have committed to create 7,670 jobs and retain an existing 20,393 jobs. (Please note these job numbers have been adjusted for duplication across contracts and programs.)

Table 28: EXP Financial Assistance per Job to be Created or Retained Based on Contractual Requirements	
Total Assistance	$314,063,879
Jobs to be Created & Retained	28,063
Financial Assistance per Job	$11,191

Source: DECD

Note: This calculation includes the Active and Inactive EXP portfolios. This table reflects a company's maximum job obligation and does not reflect actual jobs created or retained. Duplicate jobs to be created/retained have been removed. Duplicates could be caused by a company having multiple EXP contracts or an EXP and MAA contract. If a company has funding from both EXP and MAA the EXP job requirement was reduced to 0 regardless of the timing of the MAA and EXP contracts.

The EXP portfolio delinquency rate is approximately 3.3% based on a total portfolio value of over $397,500,000. The EXP portfolio for the delinquency rate calculation includes Recovery Bridge loans, certain EXP projects funded with MAA funds and may include certain lending partner projects.

i) Estimated Direct Economic Impact of the EXP Program:

The table below shows the estimated direct impact of the EXP program from its inception through FY 2021. The direct jobs are those reported to DECD as newly created jobs while active in the program. This data is obtained through company surveys and audits, and does not include retained jobs and newly created jobs not yet reported to DECD. The direct net state revenue is defined as the difference between the direct revenues generated by the program and its direct costs. The direct impact comes from the jobs and capital expenses created by the recipients of the EXP funds, so the direct revenues under the program are the estimated income taxes and sales taxes generated by each of these respectively. The direct costs are the costs to the state government to fund the program, which is the estimated debt service it pays on the bonds issued to finance EXP grants and loans. These costs are offset by the repayments of loans made by the recipients and any penalties they pay for not meeting the required conditions after receiving the funds. Any loan forgiveness earned is incorporated into the analysis.

Table 29: EXP Estimated Direct Economic Impact FY 2012-2021	
New Jobs Reported – Annual Average Above Baseline	4,642
Average Estimated Direct Net State Revenue	$8,881,800
Cumulative Estimated Direct Net State Revenue	$88,818,000

Source: DECD analysis

Note: Direct jobs taken into account for the direct impact estimations only include data from completed audits taken while the company was active in the program. Retained jobs are not included in this estimation. Recovery Bridge Loans are not included in this analysis. Direct State Revenue does not include estimates of corporate business taxes or other direct taxes.

The direct net revenue shows that on average estimated direct revenues exceeded the estimated costs of the program by over $8 million a year over the life of the program to date through FY 2021, and the estimated cumulative total of the net direct revenue it generated is over $88 million. This analysis does not include any potential downstream impacts (i.e. indirect and induced) in the economy from the additional spending or jobs created.

ii) Recommendation

DECD is transitioning out of the direct lending business and will partner with the private sector to incentivize increased lending to small businesses particularly in undercapitalized and under-resource communities via a first loss guarantee program and partnering with Community Development Institutions (CDFIs) and other lending partners with investments in revolving loan fund models as an example. Going forward, our new partners will be required to become self-sustainable which was not a requirement under the prior version of the program. DECD will report on the partner's progress towards self-sustainability in future annual reports.

The anticipated benefits of this new approach include:

- Partner with the private sector to increase capacity and incentive rather than compete;
- Leverage existing program expertise and lower the cost of starting a new program;
- Better align state resources for greater efficiency with a customer-centric approach;
- No "new" fiscal impact, significantly lowers the risk to the state, and decrease upfront cash investment for the state while a significant private sector leverage rate; and
- Targeted investment toward market gaps and underserved/underbanked communities.

3. Other Funding Sources

DECD has 4 projects that received direct financial assistance from a program other than MAA or EXP. The funding sources are Brownfields and Special Act. These are not business assistance programs but these projects are included in this section due to the uniqueness of their contracts.

The table below shows the financial assistance per job for these projects. Lockheed Martin has been removed from this calculation since its financial assistance per job is reported in the tax credit section of this report. Electric Boat's Special Act assistance is included without a job requirement since its jobs are included in the MAA section of this report.

Table 30: Financial Assistance per Job to be Created or Retained Based on Maximum Contractual Requirements	
Total Assistance	$22,650,000
Jobs to be Retained or Created	114
Financial Assistance per Job	$198,684

Source: DECD

E. Other Business Support Programs

1. COVID Assistance Programs

Recovery Bridge Loan

In response to the COVID-19 pandemic, DECD administered the Recovery Bridge Loan Program out of available EXP appropriations. The goal of the Bridge Loan Program was to provide emergency cash flow relief to small businesses and nonprofits with 100 or fewer employees who were negatively impacted by the coronavirus. DECD entered into 2,122 contracts for interest free loans totaling

$41,833,220. Recipients do not have a job creation or retention requirement. As of June 30, 2021 $3,521,045 was repaid.

Connecticut Small Business Recovery Grant

The small business grant assisted small business and nonprofits with a one-time $5,000 grant. Eligible recipients had to have 20 or less full-time employees or annual payroll of less than $1.5 million and a 20% revenue loss in 2020 compared to 2019. Recipients do not have a job creation or retention requirement. DECD entered into 9,956 contracts for $50,035,000. Some grants may have been funded in FY 2022.

Connecticut Business Recovery Grant

DECD and DRS partnered to administer the business recovery grant program. Grants between $10,000 and $30,000 were provided directly businesses in industries hardest hit by the pandemic. DRS and DECD issued $32,865,000 to 1,914 eligible businesses. Some grants may have been funded in FY 2022.

Recommendation:

These programs were a short-term crisis response and will not be continued.

2. Manufacturing Innovation Fund

The Manufacturing Innovation Fund (MIF) was created to support the growth, innovation and progress of Connecticut's advanced manufacturing sector. The MIF is capitalized with $80 million in funding, offering manufacturing focused programs and initiatives in the areas of workforce and training, innovation, operational improvements and capital access. The MIF programs are centered on four principles: Accelerate growth, cultivate talent, develop talent, and facilitate innovation.

According to the 2021 MIF Annual Report, as of June 30 2021, the MIF had assisted approximately 2,135 companies and invested approximately $77.2 million to help accelerate growth, cultivate talent, and boost investments in innovation. The MIF is administered by DECD, the agenda and programming developed through the advice and counsel of a 10-member advisory board made up of senior leaders from the manufacturing industry. The Board’s 2021 Annual Report can be found here.

DECD recommends the continuation of this program. It has yielded positive benefits for Connecticut's manufacturing industry.

3. Minority Business Revolving Loan Fund

Financial assistance under this $25,000,000 program is in the form of loans targeting minority businesses. HEDCO, Inc. was chosen to administer the program and will manage the program with $5,000,000 per year for five years.

Table 31: MBI Revolving Loan Fund Program	
Contracts executed	108
Assistance Amount	$5,666,560

Source: DECD and HEDCO

Note: Includes New Haven Partnership Lending Program recipients which were partially funded with MBRLF dollars.

This program has been critical to supporting woman and minority-owned businesses. DECD recommends the continuation of this program.

In addition to the Minority Business Revolving Loan Fund, in FY 2020 DECD contracted with HEDCO to administer the $5,000,000 COVID-19 Business Response Program Line of Credit to provide financial relief to minority-owned and women-owned small businesses negatively impacted by the coronavirus pandemic.

Under this program a qualifying small business with 20 or fewer employees could apply for a zero-interest Line of Credit for up to $20,000.

Table 32: COVID-19 Business Response Program Line of Credit Activity	
Loans Approved	485
Assistance Amount	$4,986,984

Source: HEDCO

The COVID-19 Business Response Program was not meant to be long term and is closed to new applicants.

4. International Trade and Foreign Direct Investment

The role of the International and Domestic Business Development Team is to facilitate commercial international and out-of-state activities in Connecticut and to support protocol duties for members of the international diplomatic corps and foreign delegations visiting Connecticut in conjunction with the state's economic development objectives.

Accomplishments during FY 2021 include:

- DECD administered $300,000 in FY 2020-2021 State Trade and Export Promotion (STEP) grant funds from the U.S. SBA. The purpose of the grant is to increase the number of small businesses that export, increase the value of exports for current small business exporters, and increase significant new trade opportunities for small businesses. STEP is projected to assist 72 eligible small businesses with various export activities, including trade missions; foreign, domestic, and virtual trade shows; business-to-business meetings; translations and international marketing efforts.
- Due to COVID-19, multiple trade shows in which Connecticut participates were cancelled, including Hannover Messe 2021 in Hannover, Germany and the 2021 Paris Air Show in Le Bourget, France. DECD's participation in the 2021 SelectUSA Summit was via a virtual platform.
- DECD also served on committees and boards of various internationally oriented organizations, including the Eastern Trade Council (ETC), State International Development Organizations (SIDO), and MetroHartford Alliance's Global Business Committee.
- In FY 2021, DECD hosted and interfaced with several virtual, foreign delegations, including Taiwan, Israel, and Japan.
- DECD celebrated the 35th Anniversary of the Connecticut-Shandong sister-state relationship with a virtual anniversary celebration of economic, education, business, and cultural ties.

5. Airport Development Zones

Claims data from companies located in Airport Development Zones is included in the Enterprise Zone data provided to DECD by OPM, and therefore are incorporated into the Enterprise Zone economic impact analysis in the tax credit section of this report.

Two companies certified by DECD in Program Year 2020 applied for their first airport development zone benefits in 2021. The costs and benefits below are estimates based on data from OPM and information provided to DECD by the companies during their certification process (actual expenses may differ from projections provided to DECD). The companies are in the Waterbury-Oxford ADZ and the Bradley ADZ.

Table 33: New Applications for ADZ Benefits in 2021	
	Amount
Market Value of Real Estate Additions to Grand List	$2,633,786
Market Value of Personal Property Additions to Grand List	$20,843
Total Abatement to Companies in 2020	$37,047
Estimated Sales Tax on Personal Property and Construction Materials	$68,222
Estimated Real Estate Conveyance Tax on Real Estate Acquisition	$0
Total Estimated Revenue to State	$68,222
Assumed State Reimbursement (50% of Abatement)	$18,524
Net Revenue to State	**$49,698**

Source: DECD, OPM

DECD does not have any recommended changes to the existing Airport Development zones.

6. Qualified Opportunity Zones

Qualified Opportunity Zones ("OZ") were established by the 2017 Federal Tax Cuts and Jobs Act to spur long-term private sector investments in low-income communities nationwide. The OZ program offers significant tax incentives to investors who realize capital gains and subsequently reinvest those capital gains into OZs through a Qualified Opportunity Fund ("Fund"). Connecticut has 72 OZs approved by the U.S. Treasury. DECD's FY 2021 Opportunity Zone report can be found here.

7. Tech Talent Fund

DECD, in consultation with Technology Talent Advisory Committee, administers the Tech Talent Fund- a resource for both workers and employers to ensure Connecticut has the workforce talent needed to fuel growth in its tech sectors. After issuing a comprehensive report on strategies to address the issue in December 2016, DECD then began making a series of strategic investments. The first was in the Tech Talent Bridge, administered by Connecticut Innovations, a program which provides matching grants to companies hiring tech interns from local colleges and universities. The department also put out a RFP in 2018, and subsequently selected three organizations to begin specialized technology training programs focused on building capacity in the areas of Full Stack Development and Data Science & Analytics to meet a critical area of skills demand by Connecticut companies. The organizations selected were: General Assembly Space, Inc., Tech Talent South, LLC and the Holberton School at District Arts & Education, Inc. The programs began in the second quarter of 2019 in the Hartford, New Haven and Stamford areas. As of June 30, 2021, over 290 participants have enrolled in the technology training programs.

To assist Connecticut's unemployed and post-secondary remote-learners amidst the outbreak of COVID-19, the Governor's Workforce Council team and related partner agencies made available a broad array of free market-tested online course offerings. The Remote-Learning and Workforce Training programs provided are: SkillUp CT (Metrix Learning/Skillsoft) and 180 Skills. Skillsoft focuses on providing IT, Business Analysis, and Project Management certificates, while 180 Skills focuses on providing credentials in entry-level manufacturing and basic employability skills. The course offerings are for a variety of populations: 180 Skills is for any individual approved for unemployment insurance in 2020, post-secondary students, and incumbent workers in the manufacturing space. SkillUp CT is for those approved for unemployment insurance in 2020.

Table 34: Tech Talent Fund Activity as of 6/30/2021

Recipient	Contract Amount
Connecticut Innovations	$500,000
Tech Talent South, LLC	$1,250,000
District Arts & Education, Inc.	$2,800,000
General Assembly Space, Inc.	$1,250,000
SkillUp CT	$352,000
180 Skills	$422,200

Source: DECD

DECD recommends the program continue within available appropriations.

8. Programs Administered by Connecticut Innovations

In accordance with CGS Sec. 32-478, CI is required to submit an annual report to the state legislature. CI's 2021 annual report can be found here. DECD has not conducted an audit, review or compilation of CI's 2021 Annual Report. Therefore, DECD cannot attest to the validity and accuracy of the information submitted by CI or make a recommendation about CI's programs.

It is important to note that CI and DECD fund some of the same companies. Combining CI's and DECD's numbers would likely lead to double counting in certain categories such as number of recipients, leveraged dollars and jobs to be created or retained.

F. Office of the Permit Ombudsman

The Office of the Permit Ombudsman (OPO) was created within DECD to expedite regulatory state agency approvals for qualified economic development projects that need environmental, public health, and transportation permits. The Permit Ombudsman acts as a facilitator between state regulatory agencies and businesses to fast track projects through regulatory approvals and to resolve permitting issues. During FY 2021 the Office of the Permit Ombudsman has:

- Participated in the Department of Public Health (DPH) working group on developing and implementing a reciprocal process for Itinerant Food Vendor Permit. The legislature tasked DPH to complete the process by 1/1/22.
- Met with the Department of Energy and Environmental Protection's Client Concierge Team to better facilitate communications and responsiveness between DECD and its clients with priority developments projects. There are ongoing bi-weekly scheduled meetings between the agencies to discuss any new and existing projects that been tracked by both departments.
- Responded to inquiries from businesses and companies seeking to understand State applicable regulatory framework and permitting processes.
- Coordinated pre-application meetings with the key regulatory decision makers to map out the process and timeline for obtaining critical permits and approvals.
- Coordinated and facilitated regulatory permitting inquires and meetings with DEEP, DPH and DOT.

Municipality	Applicant's Name/ Business Type	Date of Request	Reasons for Eligibility	Participating Agencies/ Division Involved	Type of Permit	Date(s) for granting/ denying the permit(s)
Bridgeport	Barnum Landing Ferry Terminal and wind farm activity	4/23/2021	Economic Development	DEEP	Coastal Structures, Dredging and Fill and Remediation Engineered Control Variance with Environmental Land Use Restrictions	Engineering Controls approved on 7/26/21. The COP for western parcel on 5/28/21
Windsor	Project Warrior	3/17/2020	Economic Dev 1,000 jobs	OSTA/DEEP	NDDB, Construction Stormwater GP.	NDDB letter issued 5/22/20. Construction Stormwater GP issued 8/4/20. OSTA certificate issued 8/10/20.
South Windsor	Project Hammer	3/27/2021	Economic Development	DOT District 1	Encroachment Permit	4/29/2021
Plainfield	AMZL last mile facilities	6/5/2020	Economic Development	Local, DOT, DEEP	NDDB, construction stormwater GP, OSTA review	All permits issued by 7/19/21 NDDB issued 3/29/21 Stormwater GP approved 5/10/21
Hartford, Torrington, Groton and East Windsor	Bio Carbon Fuels	6/30/2020	Economic Development	Local, DOT, DEEP		AdvanceCT is taking a lead
Windsor	DCY1 "last mile"	6/5/2020	Economic Development	DEEP, DOT	NDDB prior to construction general SW, OSTA review. Construction	NDDB 7.13.20; GP SW issued 1/19 /21

Municipality	Applicant's Name/ Business Type	Date of Request	Reasons for Eligibility	Participating Agencies/ Division Involved	Type of Permit	Date(s) for granting/ denying the permit(s)
					Stormwater GP needed	
multiple locations	Pier Development	6/5/2020	Economic Development		Structures, Dredging, and Fill Permit. Army Corps permit for impact to existing coastal resources - requiring restoration/mitigation of habitats. Flood Management Certification, DEEP is the applicant. Both potential sites will require remediation.	AdvanceCT is taking a lead
Woodbury	Woodbury Ski resort	3/29/2021	Economic Development	DEEP	Water Diversion Permit;	
Newtown, Branford, OR Southington	Project Dragonfly	Advance CT led project; DECD/ DEEP permit interface began on 9/7/2020		DEEP	Need Stormwater Construction GP, Wastewater Discharge Pre-Treatment Permit, potentially need NDDB review, local wetlands permit depending on location. If Branford is chosen	

Municipality	Applicant's Name/ Business Type	Date of Request	Reasons for Eligibility	Participating Agencies/ Division Involved	Type of Permit	Date(s) for granting/ denying the permit(s)
					potentially a coastal permit and/or Remediation PTP. Unsure if medical waste permit or air permit is needed - need more info.	
Meriden	Project Taupe	6/22/2020	Economic Development	Meetings with DEEP 6/8/20, 6/15/20. Pre-application meetings with DEEP 6/22/20 and 6/23/20.	Need local wetland review, local building construction permit, DOT traffic permits, Waste pre-treatment GP or Individual permit, construction stormwater GP, industrial stormwater GP, possible bio-medical waste disposal permit, possible anaerobic digester.	
South Windsor	Amazon 240 Ellington Road	3/29/2021	Economic Development	DOT/OSTA/DEEP	DEEP in progress	NDDB issued on 7/3/21
Wallingford	Amazon 5 Research Parkway	3/31/2021	Economic Development	DEEP/OSTA	NDDB determination; GP and OSTA	NDDB approval in 6/23/2021. Stormwater GP approved on 9/24/21

Municipality	Applicant's Name/ Business Type	Date of Request	Reasons for Eligibility	Participating Agencies/ Division Involved	Type of Permit	Date(s) for granting/ denying the permit(s)
Glastonbury	Amazon Last Mile	2/24/2021	Economic Development	DEEP/OSTA	DEEP all permits including discharge. OSTA approvals	NDDB approval on 9/5/2020; Construction Stormwater GP approved 6/9/2021
Waterbury	Amazon Last Mile	6/19/2021	ED	DEEP/DOT	DEEP all permits including discharge. OSTA approvals	
Stratford	Amazon Last Mile	6/19/2021	ED	DEEP/DOT		
East Windsor	ParkSite Project at 12 South Main Street	5/12/2021	ED	DOT/OSTA		
Killingly	Frito-Lay	first meeting with DECD 5.3.21; Project inro meeting with DEEP 5.18.21	ED	DEEP (WATER/AIR) ; DOT (OSTA review)	Pre-app meeting with Air on 6/24/21. The air permit must include the entire project	NDDB approved 6-25-21 Water diversion registration approved 7-9-21 Stormwater GP active 3-8-2021 SIU GP process/non process wastewater in technical review 5-4-21
TBD	Entopprotech (Black Fly)	DEEP/DECD/ AdvanceCT permit-related information meeting on 6/24/21	ED	DEEP		AdvanceCT is taking a lead

Municipality	Applicant's Name/ Business Type	Date of Request	Reasons for Eligibility	Participating Agencies/ Division Involved	Type of Permit	Date(s) for granting/ denying the permit(s)
Norwalk	Auto detailing Business	5/31/2021	small business	DEEP and Local permits from the City of Norwalk	DEEP wastewater, stormwater, local permits	all request info being provided on 6/2/2021
250 Universal Drive, North Haven	Celavon/Cedar Hills	10/7/2020	Economic Development; brownfield redevelopment	There are outstanding orders for this site. The cost of clean up estimated at $15-30 M	DEEP granted a permit for the AD facility and would like to see it fit into the eco park scenario	
statewide	business permit inquire	6/12/2021	small business		no permits required for her operation	provided the necessary information and resources
Danbury	46 Mill River mix used development on 30 acres, 450,000 sq.ft	3/3/2021	ED		Meeting with developer, town and DOT on 8/30/21; OSTA and DOT outlined the requirements	

Source: DECD, Office of the Permit Ombudsman

G. Office of Brownfield Remediation and Development

A brownfield is any abandoned or underutilized site where redevelopment and reuse has not occurred due to the presence of pollution in the buildings, soil or groundwater that requires remediation before or in conjunction with the restoration, redevelopment or reuse of the property.

Information on DECD's Brownfield programs can be found here. A listing of DECD's Brownfields program recipients can be found here.

The Office of Brownfield Remediation and Development (OBRD) is a dedicated office within DECD with the primary mission to be a one-stop resource for brownfield development in Connecticut. As such, OBRD coordinates the state's response for brownfield assistance to communities and businesses. Brownfield redevelopment projects are usually long term and have a variety of complicated environmental, legal, and financial obstacles to overcome.

Since FY 2012, DECD has funded 251 brownfield projects spanning over 74 municipalities with approximately $219 million in funding through a mix of loans and grants. This funding has leveraged approximately $3 billion in other funds, resulting in a leverage ratio of approximately $14.09 invested by non-DECD partners for every dollar of OBRD funding.

Table 35: Brownfield Funding Activity

	# of Projects	Total DECD Investment	Non- DECD Funds	Leverage Ratio	Impacted Acreage
FY 2021	6	$7,297,314	$181,000	0.02	6.92
Brownfield Portfolio (FY 2012 to FY 2021)	251	$219,126,064	$3,086,872,902	14.09	3,181.58

Source: DECD/ OBRD

Note: Brownfield Program Activity statistics also include the federal EPA RLF program. The number of projects and acreage columns may have been adjusted to eliminate duplication for sites that have received funding in multiple phases, or under multiple contracts/programs

OBRD collaborates with state agency partners such as the CT Department of Energy and Environmental Protection, the CT Department of Public Health, federal agency partners such as the Environmental Protection Agency and the regional council of governments to bring back brownfields into economic use.

In this past fiscal year, OBRD conducted a competitive round for funding under the Targeted Brownfield Development Loan Program (C.G.S. Sec. 32-765). On April 16, 2021, DECD conditionally committed approximately $2 million in loan funding to three developer-initiated projects.

OBRD also conducted Funding Round 13 under the Brownfield Municipal Grant Program (C.G.S. Sec. 32-763) and on June 24, 2021 awarded over $19 million in grant funding to 31 projects spanning 23 municipalities to help them assess and remediate brownfield sites so that they can be put back to productive use. Many of the remediation grant awards are for public-private partnerships that will significantly help leverage private investment in the state. The assessment funding provides seed money for the crucial initial steps in identifying the potential and obstacles for redevelopment of a brownfield site.

On June 30, 2021, Governor Lamont signed Public Act No. 21-111 (House Bill No. 6690) that authorized $25M each for the brownfield program for FY 2022 and 2023, for a total of $50M. The State Bond Commission must approve the allocation of the authorized funds so they can be released competitively for grants and loans as per the enabling statutes.

The table below shows DECD's brownfield funding activity by program.

Table 36: Brownfield Funding Activity by Program

	FY 2021		Portfolio	
Program Name	**# of Projects**	**Total DECD Investment**	**# of Projects**	**Total DECD Investment**
Remedial Action and Redevelopment Municipal Grant	1	$200,000	154	$ 85,717,897
Targeted Brownfield Development Loan	0	$0	50	$87,885,001
Brownfield Area-Wide Revitalization Planning Grant	0	$0	12	$2,040,000
State-Owned Brownfield Properties Program	0	$0	4	$15,885,000
Special Contaminated Property Remediation and Insurance Fund Revolving Loan	1	$97,314	12	$1,275,864
Urban Action Program & Special Act	4	$7,000,000	8	$18,000,000
U.S. EPA Revolving Loan Fund	0	$0	5	$1,910,000

Table 36: Brownfield Funding Activity by Program				
	FY 2021		Portfolio	
Program Name	# of Projects	Total DECD Investment	# of Projects	Total DECD Investment
MAA	0	$0	3	$1,884,827
Urban Sites Remedial Action	0	$0	3	$4,527,475
TOTAL	**6**	**$7,297,314**	**251**	**$219,126,064**

Note: Brownfield Program Activity statistics also include the federal EPA RLF program. The number of projects and acreage columns may have been adjusted to eliminate duplication of sites that have received funding in multiple phases, or under multiple contracts/programs.

DECD has several non-funding Brownfield programs. Activity for those programs is below.

Table 37: Non-funding Brownfield Program Activity		
Program	FY 2021 Approvals	FY 2012-2021 Active** Approvals
Brownfield Remediation and Revitalization (BRRP) Liability Relief Program	3	44*
Abandoned Brownfield Cleanup (ABC) Liability Relief Program	7	25
Connecticut Brownfield Land Bank Program – Land Bank Approvals	1	3

Source: DECD
*Note: *The number of approvals under the BRRP Program have been adjusted to eliminate duplication of approvals due to changes in ownership or approvals to multiple entities for the same site. **Occasionally, the BRRP and ABC approvals are withdrawn due to property transactions not occurring. Therefore, only active approvals for this period have been reported.*

DECD recommends the continuation of the Brownfields programs.

The Dry Cleaning Establishment Remediation Fund (DCERF) provides grants to eligible dry cleaning business operators and landlords for the assessment, cleanup, containment or mitigation of pollution resulting from releases of chemicals used in dry cleaning. For more information on the program please click here.

The table below outlines the FY 2021 activity for that program.

Table 38: Dry Cleaning Remediation Funds FY 2021 Activity		
Applicant	Dry Cleaning Establishment/Address	Grant Amount
Suk H.Han (d.b.a. ParkAvenue Cleaners & Tailors)	Suk H.Han (d.b.a. Park Avenue Cleaners & Tailors)	$300,000
TOTAL		$ 300,000

Source: OPO, DECD

DECD invites businesses on the waiting list to formally apply only when funding becomes available. For many years, the list of dry cleaners seeking funding has been greater than the available funding.

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III. COMMUNITY DEVELOPMENT PROGRAMS

A. Community Development Impact

DECD's broad community development portfolio includes a wide variety of project types including arts and entertainment, economic development planning and technical program support. 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 that effective economic and housing development depend upon for success. DECD recommends the continuation of these programs and supports the ongoing partnership between the department and its community development partners.

B. Capital Projects

A complete listing of DECD's Capital Projects recipients can be found here.

DECD's Capital Projects Portfolio includes projects funded through a variety of programs including the Small Town Economic Assistance Program and Urban Action Grant Program. In general, DECD acts only as the administrator of these programs, since OPM has primary decision-making responsibility. In FY 2021 the state invested over $13.5 million into 33 community development projects bringing DECD's portfolio value to over $500 million.

Table 39: DECD Capital Projects Activity

	# of Projects	Leverage Ratio	Total Project Cost	State Investment
FY 2021	33	.92	$25,876,651	$13,507,337
CD Portfolio	383	.61	$806,628,088	$500,798,006

Source: DECD

Note: Electric Boat's $20 million 2019 infrastructure grant is included in the Business Assistance section of this report.

C. State Historic Preservation Office (SHPO)

1. Tax Credits

A listing of DECD's SHPO tax credit recipients can be found here.

Under its two tax credit programs, in FY 2021 SHPO issued over $40 million in tax credit vouchers to 76 recipients.

Table 40: FY 2020 SHPO Tax Credit Activity		
Tax Credit Program	**Number of Vouchers Issued**	**Voucher Amount**
Historic Rehabilitation Tax Credit	32	$38,863,939
Historic Homes Rehabilitation	44	$1,154,126
TOTAL	**76**	**40,018,065**

Source: DECD

Additionally, SHPO processed 21 new projects under the federal historic rehabilitation tax credit program. For annual reports of the federal historic tax credit program visit the National Park Service's website.

2. Grants

In FY 2021 SHPO granted over $2 million in grants to 104 eligible recipients through its various grant programs. As expected, demand increased for the Stewardship Relief Grant, implemented at the end of FY 2020. The purpose of this grant is to help stewards of designated historic properties cover basic utility expenses associated with the operation of those properties. The Institutional Support for Capacity Building grant is a 2-year grant, so no awards were made in FY 2021. *A listing of DECD's SHPO grant recipients can be found here.*

Table 41: FY 2020 SHPO Grant Activity		
Program	**Number of Recipients**	**Grant Amount**
Certified Local Government	4	$66,000
Historic Restoration Fund	9	$326,904
Partners in Preservation	7	$751,006
Supplemental Certified Local Government	1	$20,000
Historic Preservation Survey & Planning	43	$820,000
Stewardship Relief Grant	40	$39,677
TOTAL	**104**	**$2,023,587**

Source: DECD

D. Connecticut Office of the Arts (COA)

The Office of the Arts works to inspire a culture of creativity in Connecticut by supporting arts making and arts participation for all people. The Office uses the lenses of relevance, equity, access, diversity, and inclusion (READI) to guide programmatic and investment decisions within a framework of artistic excellence in the belief that these tenets are critical to the vitality and economic success of our neighborhoods, towns, and cities. We are committed to supporting and fully engaging diverse members of our communities in arts policy, practice, and decision making. In response to continuing economic crises facing our constituents as a result of the COVID-19 pandemic, COA awarded $9,000,000 of operating support via the *COVID Relief Fund for the Arts* directly to theaters, performing arts groups and arts education organizations – those most directly affected by long term closure. In addition, COA collaborated with the Department of Education to create the "CT Summer at the Museum" grant program to support Governor Lamont's plan to bolster summer learning for Connecticut children by offering free admission to children to more than 100 museums across the state. Funding for that program was distributed in FY 22. During FY 2021, COA granted $15,703,310 to 665 recipients. *A listing of DECD's Arts grant recipients can be found here.*

Table 42: FY 2021 Arts Grant Activity

Program	Number of Recipients	Grant Amount
Arte Accessible	19	$47,025
Artist Fellowship	54	$150,000
Arts Workforce	15	$56,250
Arts Endowment	182	$802,536
Designated Regional Service	6	$204,000
Directed Local Funds	43	$3,927,254
Elizabeth Mahaffey Fellowship	3	$5000
Strategic Initiative Partnership	18	$665,945
Covid Relief Fund for the Arts	154	$9,000,300
Supporting Arts	169	$840,000
State Poet Laureate	1	$2,500
State Troubadour	1	$2,500
TOTAL	**665**	**$15,703,310**

Source: DECD

E. Connecticut Office of Tourism

Released in 2019, The Economic Impact of Travel in Connecticut report revealed that all business sectors of the Connecticut economy benefit from tourism activity directly and/or indirectly. The report can be found here. The report indicated that tourism:

- Generated $15.5 billion in business sales supported by traveler spending in Connecticut in 2017;
- Generated $2.2 billion in tax revenues, including $960 million in state/local tax revenue, from visitor activity in 2017; and
- Supported 84,254 jobs directly, and 123,521 jobs indirectly (jobs supported by tourism activities) in 2017.

In FY2021, the Office of Tourism's primary focus was on aiding the state's economic recovery and mitigating the significant damages to the tourism industry caused by the pandemic, driving revenues to struggling restaurants, hotels and attractions while always promoting safety messaging.

COT used a consumer sentiment tracking study, conducted monthly, to inform decisions on how to best message and navigate in the rapidly changing environment.

- The summer and fall of 2020 was a somewhat hope-filled time as visitors were able to come out of strict shelter-in-place orders and enjoy more outdoor and safe activities. COT launched a campaign using the theme "So Good to See You, Connecticut" to capture the mood of the moment. The campaign included TV, video, social, search and other digital tactics.

- But with winter 2020 came a renewed concern as COVID cases increased. COT retooled messaging to meet the new need and ran a social and digital campaign through April.

- In spring 2021, the rollout and mass-regional adaptation of the vaccines increased consumer enthusiasm for new leisure experiences. The "Say Yes" campaign was launched in May and ran through the summer. It included TV, Out of Home and digital. The theme captured the common sentiment "after over a year of saying no to fun, it's time to Say Yes."

These efforts involved hundreds of tourism and industry partners from across the state and engaged dozens of local representatives through the Office of Tourism's Regional Tourism Marketing Program.

With the tourism industry's support, in fiscal year 2021, the Office of Tourism:

- Continued to enhance the statewide tourism industry website, CTvisit.com, a mobile-responsive, content-marketing-optimized, statewide tourism website;

- Represented over 4,000 industry partners on CTvisit.com;
- Generated 5.5 million visits to the website;
- Generated hundreds of articles, videos and other content that supported new messaging meeting the changing sentiments during this tumultuous time;
- Earned significant public relations coverage with well over 1 billion PR impressions;
- Generated over 2.4 million referrals from CTvisit.com to tourism industry businesses (clicks to websites, calls or e-mails). This volume of "leads" to partners represented a 6% *increase* over the prior year, which signified that while general traffic was down, those who were interested in out-of-the-home leisure activities were even more engaged than usual;
- Featured over 1,500 tourism businesses in Office of Tourism PR, advertising & content marketing.

The Office of Tourism manages an award-winning content marketing program that helped drive interest in the state. The program, which included the development of hundreds of thought-provoking and timely articles about where to eat, stay, and play in Connecticut drove 60% of the web traffic to CTvisit.com.

The Office of Tourism maximized marketing efficiencies in FY2021 and helped to drive economic recovery for the tourism industry.

IV. EMPLOYMENT INDICATORS AND GROSS STATE PRODUCT (GSP)

A. Industry Employment

The following table provides the Connecticut employment by industry at the two-digit North American Industry Classification System (NAICS) code level. Health Care and Social Assistance is the largest industry in terms of annual average employment which accounted for 17.1% of total employment in 2020, followed by Government sector at 13.8% and Retail Trade industry at 10.4%.

Table 43: Connecticut Employment by Industry

NAICS Code	Industry	Annual Average Employment	% of Total
11	Agriculture, forestry, fishing and hunting	4,755	0.3%
21	Mining	505	0.0%
22	Utilities	5,068	0.3%
23	Construction	56,937	3.7%
31-33	Manufacturing	153,826	10.0%
42	Wholesale trade	55,992	3.6%
44-45	Retail trade	160,513	10.4%
48-49	Transportation and warehousing	55,052	3.6%
51	Information	29,238	1.9%
52	Finance and insurance	99,445	6.4%
53	Real estate and rental and leasing	18,723	1.2%
54	Professional and technical services	92,785	6.0%
55	Management of companies and enterprises	31,659	2.0%
56	Administrative and waste management	82,209	5.3%
61	Educational services	56,280	3.6%
62	Health care and social assistance	263,559	17.1%
71	Arts, entertainment, and recreation	19,900	1.3%
72	Accommodation and food services	97,578	6.3%
81	Other services, except public administration	48,183	3.1%
99	Nonclassifiable establishments	562	0.0%
	Government	212,961	13.8%
	Statewide total	1,545,731	100.0%

Source: Connecticut Department of Labor, Labor Market Information, 2020 QCEW Program Data
Note: Numbers may not total due to rounding.

B. Unemployment Rate

According to the U.S. Bureau of Labor Statistics, the United States had an average unemployment rate of 5.4% and Connecticut had an average unemployment of 6.8% in 2021.

C. Gross State Product (GSP) by Industry

In 2020, the Finance and Insurance industry accounted for 15.9% of the state's economy, followed by Real Estate, Rental and Leasing with 14.0% and Manufacturing with 10.9%. Government, and the Health Care and Social Assistance sectors rounded the top five with 10.0% and 8.2%, respectively.

Table 44: 2020 Connecticut GSP by Industry (millions of current $)		
Industry	**GSP**	**% of Total**
Agriculture, forestry, fishing and hunting	328.7	0.1%
Mining, quarrying, and oil and gas extraction	174.7	0.1%
Utilities	4,895.7	1.8%
Construction	7,539.4	2.7%
Manufacturing	30,267.7	10.9%
Wholesale trade	14,260.4	5.2%
Retail trade	14,120.3	5.1%
Transportation and warehousing	5125	1.9%
Information	15,480.9	5.6%
Finance and insurance	44,036.1	15.9%
Real estate and rental and leasing	38,785.6	14.0%
Professional, scientific, and technical services	18,774.4	6.8%
Management of companies and enterprises	6,446.4	2.3%
Administrative and support and waste management and remediation services	7427	2.7%
Educational services	6,504.3	2.4%
Health care and social assistance	22,610.2	8.2%
Arts, entertainment, and recreation	1,689.4	0.6%
Accommodation and food services	5,558.7	2.0%
Other services (except government and government enterprises)	4,796.2	1.7%
Government and government enterprises	27,601.8	10.0%
TOTAL	276,422.9	100.0%

Source: U.S. Bureau of Economic Analysis
Note: In millions of current dollars

V. APPENDIX

A. The REMI Model

The Connecticut REMI Tax-PI model is a dynamic, multi-sector, regional economic model developed and maintained for the Department of Economic and Community Development by Regional Economic Models, Inc. of Amherst, Massachusetts. This model provides detail on all eight counties in the State of Connecticut and any combination of these counties. The REMI model includes the major inter-industry linkages among 466 private industries, aggregated into 67 major industrial sectors. With the addition of farming and three public sectors (state and local government, civilian federal government, and military), there are 70 sectors represented in the model for the eight Connecticut counties.§

The REMI model is based on a national *input-output* (I/O) model that the U.S. Department of Commerce (DoC) developed and continues to maintain. Modern input-output models are largely the result of groundbreaking research by Nobel laureate Wassily Leontief. Such models focus on the inter-relationships between industries and provide information about how changes in specific variables—whether economic variables such as employment or prices in a certain industry or other variables like population affect factor markets, intermediate goods production, and final goods production and consumption.

The REMI Connecticut model takes the U.S. I/O "table" results and scales them according to traditional regional relationships and current conditions, allowing the relationships to adapt at reasonable rates to changing conditions. Listed below are some salient structural characteristics of the REMI model:

- REMI determines consumption on an industry-by-industry basis, and models real disposable income in Keynesian fashion, that is, with prices fixed in the short run and GDP (Gross Domestic Product) determined solely by aggregate demand.
- The demand for labor, capital, fuel, and intermediate inputs per unit of output depends on relative prices of inputs. Changes in relative prices cause producers to substitute cheaper inputs for relatively more expensive inputs.

♣ The seminal reference is George I. Treyz (1993), Regional Economic Modeling: A Systematic Approach to Economic Forecasting and Policy Analysis, Kluwer Academic Publishers, Boston.

- Supply of and demand for labor in a sector determine the wage level, and these characteristics are factored by regional differences. The supply of labor depends on the size of the population and the size of the workforce.
- Migration—that affects population size—depends on real after-tax wages as well as employment opportunities and amenity value in a region relative to other areas.
- Wages and other measures of prices and productivity determine the cost of doing business. Changes in the cost of doing business will affect profits and/or prices in a given industry. When the change in the cost of doing business is specific to a region, the share of the local and U.S. market supplied by local firms is also affected. Market shares and demand determine local output.
- "Imports" and "exports" between states are related to relative prices and relative production costs.
- Property income depends only on population and its distribution adjusted for traditional regional differences, *not* on market conditions or building rates relative to business activity.
- Estimates of transfer payments depend on unemployment details of the previous period, and total government expenditures are proportional to population size.
- Federal military and civilian employment is exogenous and maintained at a *fixed* share of the corresponding total U.S. values, unless specifically altered in the analysis.

Because each variable in the REMI model is related, a change in one variable affects many others. For example, if wages in a certain sector rise, the relative prices of inputs change and may cause the producer to substitute capital for labor. This changes demand for inputs, which affects employment, wages, and other variables in those industries. Changes in employment and wages affect migration and the population level that in turn affect other employment variables. Such chain-reactions continue in time across all sectors in the model. Depending on the analysis performed, the nature of the chain of events cascading through the model economy can be as informative for the policymaker as the final aggregate results. Because REMI generates extensive sectoral detail, it is possible for experienced economists in this field to discern the dominant causal linkages involved in the results.

The REMI model is a structural model, meaning that it clearly includes cause-and-effect relationships. The model shares two key underlying assumptions with mainstream economic theory: *households maximize utility* and *producers maximize profits*. In the model, businesses produce goods to sell to other firms, consumers, investors, governments and purchasers outside the region. The output is produced using labor, capital, fuel and intermediate inputs. The demand for labor, capital and fuel per unit output depends on their relative costs, because an increase in the price of one of these inputs leads to substitution away from that input to other inputs. The supply of labor in the model depends on the number of people in the population and the proportion of those people who participate in the labor force. Economic migration affects population size and its growth rate. People move into an area if the real after-tax wage rates or the likelihood of being employed increases in a region.

Supply of and demand for labor in the model determine the real wage rate. These wage rates, along with other prices and productivity, determine the cost of doing business for each industry in the model. An increase in the cost of doing business causes either an increase in price or a cut in profits, depending on the market supplied by local firms. This market share combined with the demand described above determines the amount of local output. The model has many other feedbacks. For example, changes in wages and employment impact income and consumption, while economic expansion changes investment and population growth impacts government spending.

In order to understand how the model works, it is critical to know how the key variables in the model interact with one another and how policy changes are introduced into the model. To introduce a policy change, one begins by formulating a policy question. Next, select a baseline forecast that uses the baseline assumptions about the external policy variables and then generate an alternative forecast using an external variable set that includes changes in the external values, which are affected by the policy issue.

Figure B2 shows how this process would work for a policy change called Policy X. In order to understand the major elements in the model and their interactions, subsequent sections examine the various blocks and their important variable types, along with their relationships to each other and to other variables in the other blocks. The only variables discussed are those that interact with each other in the model. Variables determined outside of the model include:

- Variables determined in the U.S. and world economy (e.g., demand for computers).
- Variables that may change and affect the local area, but over which the local area has no control (e.g., an increase in international migration).
- Variables that are under control of local policy (e.g., local tax rates).

For simplicity, the last two categories are called policy variables. Changes in these variables are automatically entered directly into the appropriate place in the model structure. Therefore, the diagram showing the model structure also serves as a guide to the organization of the policy variables (see Figure B3).

Figure 1

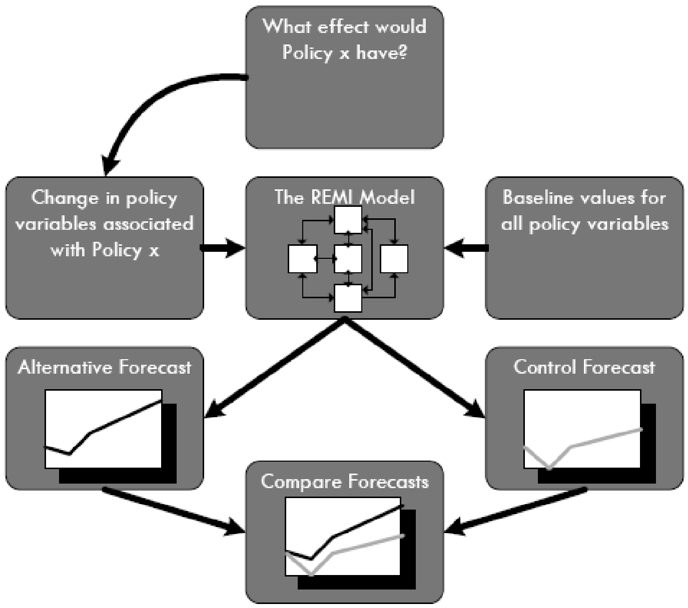
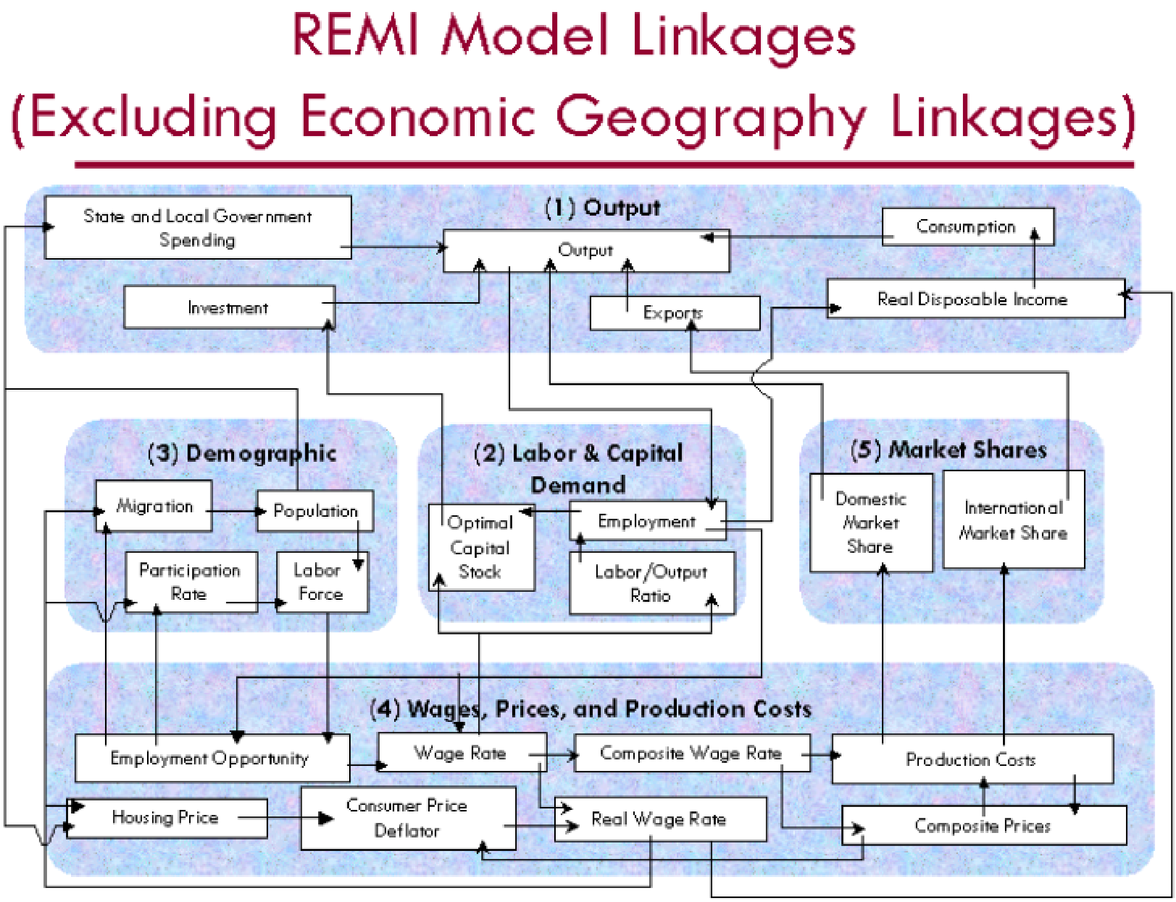

What effect would Policy x have?
Change in policy variables associated with Policy x
The REMI Model
Baseline values for all policy variables
Alternative Forecast
Control Forecast
Compare Forecasts

Figure 2


REMI Model Linkages
(Excluding Economic Geography Linkages)
(1) Output
State and Local Government Spending
Output
Consumption
Investment
Exports
Real Disposable Income
(3) Demographic
Migration
Population
Participation Rate
Labor Force
(2) Labor & Capital Demand
Optimal Capital Stock
Employment
Labor/Output Ratio
(5) Market Shares
Domestic Market Share
International Market Share
(4) Wages, Prices, and Production Costs
Employment Opportunity
Wage Rate
Composite Wage Rate
Production Costs
Housing Price
Consumer Price Deflator
Real Wage Rate
Composite Prices