



ONE-STOP



NON-STOP

Commerce Committee Presentation - 2016

Catherine Smith, Commissioner
Department of Economic and Community Development

Connecticut
still revolutionary

The State of the State

- Unemployment is at a eight-year low, while wages are at the highest point ever
- 23,000 private sector jobs created in 2015 and 80,000 in the last four years
- Private sector has recovered 114,600 (102.7%) of the 111,600 jobs lost during the recession
- State government is shrinking with over 1,000 fewer employees than four years ago
- Long-term financial obligations have been reduced 8%

And Just in the Last Year...

In addition to all the company growth announcements, Connecticut.....

- Was named an Investing in Manufacturing Communities Partnership (IMCP) community
- Launched the Connecticut Supplier Connection ; more than 100 CT suppliers have qualified to be on the platform
- Saw a strong tourism summer season: 12% more visitors to major attractions
- Began the Minority Business Initiative
- Launched a new customer-friendly business portal
- Through the Manufacturing Innovation Fund, created a new \$7 million Incumbent Worker Training program and a \$7.8 million Apprenticeship program and an “Energy on the Line” program
- Developed a New Brownfield Area-Wide Revitalization (BAR) Planning Grant program
- Announced \$1.9 million in cultural grants under the Good to Great program

Connecticut: At the Center Of It All



Connecticut is conveniently located within 500 miles of **1/3** of the U.S. economy.

Within **200 miles** of Connecticut, you'll find:

66% of the Canadian economy

40 million people

21 million jobs

2 million companies

With A Skilled Workforce

Connecticut ranks **#3** in the country for the percentage of employees with advanced degrees.



Connecticut is home to almost half a million people holding advanced degrees, ensuring exceptional access to a highly educated workforce.

Not only is our workforce highly educated, it's highly industrious — ranking **#4** in the U.S. for productivity.



Productivity is the spirit that drives Connecticut business. In terms of gross domestic product, Connecticut ranks higher than several major countries in productivity.

World-Class Education



Connecticut is home to **42** colleges and universities, ranging from the Ivy League to community colleges to world-class research institutions, each turning out highly educated workers and entrepreneurs



During the 2012-2013 school year, Connecticut had **261,322** students enrolled in its institutions of higher learning



The state of Connecticut is investing significantly in education



UConn



Fairfield
UNIVERSITY



Sacred Heart
UNIVERSITY

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A Center for Innovation

As a result of Connecticut workers' innovative and entrepreneurial spirit...

Connecticut ranked **#5** on the 2016 Bloomberg State Innovation Index



Google named Stamford as the 2016 top digital city in Connecticut



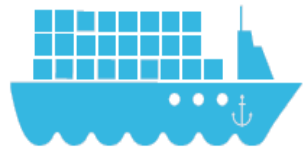
Strengthening Transportation



Governor Malloy is spearheading Let's Go CT, a historic and unprecedented 30-year, \$100 billion transportation plan



Rail, highway, and infrastructure improvements, including major upgrades along I-95 and MetroNorth



The recent creation of the Connecticut Port Authority will help grow our economy and remove traffic from highways

Unparalleled Quality of Life

- 2014: **#3 ranking** for overall quality of life due to low crime and poverty rates, a healthy populous and strong schools (Forbes)
- CT ranks **#1** as the healthiest state in the country



96 miles of scenic coastline

169 cities & towns, ranging from cosmopolitan urban centers to quaint small towns

825 miles of blue-blazed hiking trails running through 88 towns

4 distinctly different seasons, yet with a relatively mild Northeast climate

The Voice of the Customer Guides Us

- The “business climate” needs improvement
- Talent remains the # 1 reason companies choose to come to and stay in Connecticut
- Universities and entrepreneurial activity are increasingly important as innovation becomes critical to business success
- Access to markets is a strength; make it easier
- Our cities and towns need vibrancy, energy and more young people



Our Economic Development Strategy

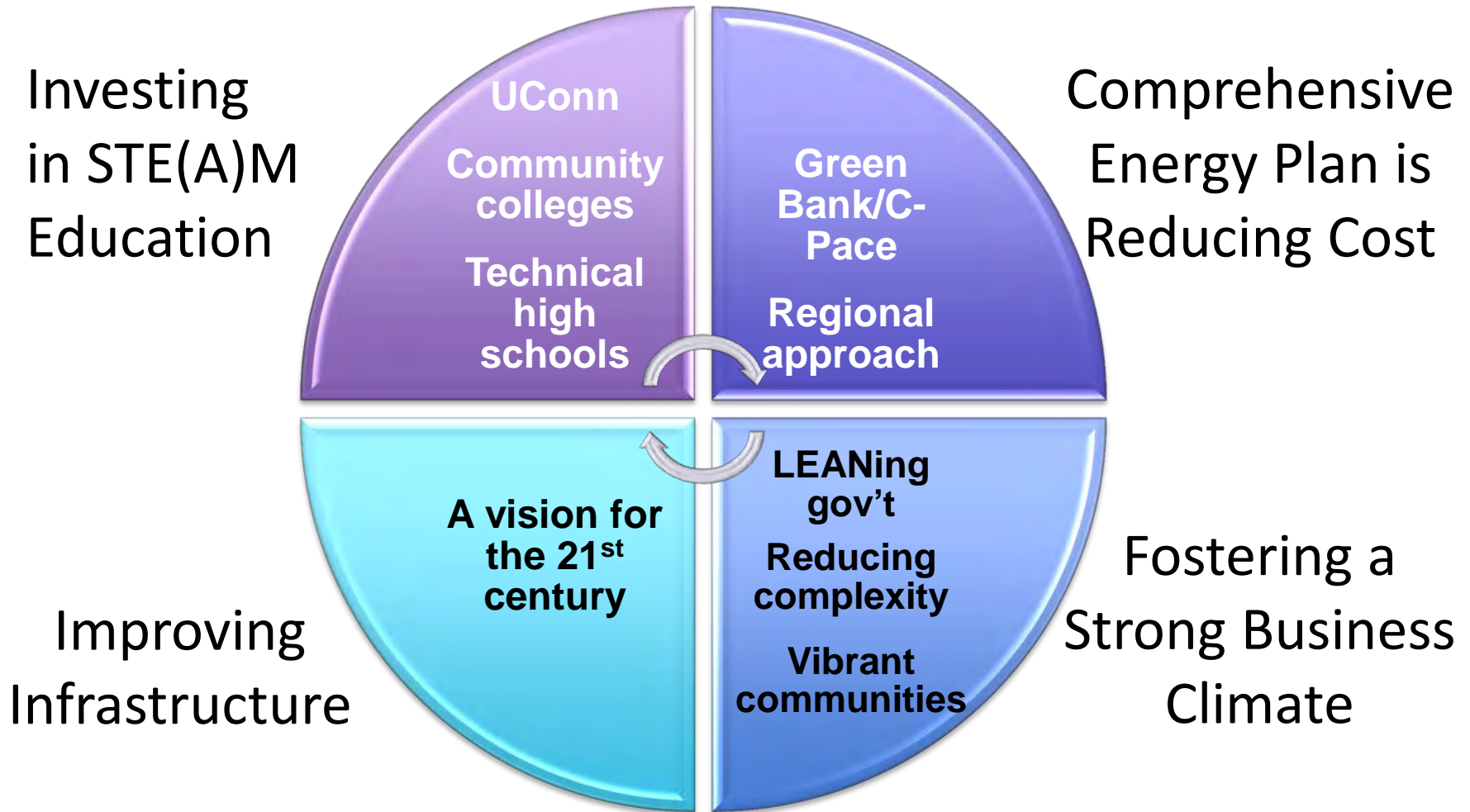


- Build on our strengths
(talent, “anchors” location)
- Focus on innovation and key business sectors to stimulate business development
- Streamline governmental processes/regulation
- Collaborate with key partners to improve the business climate
(education, transportation, energy)

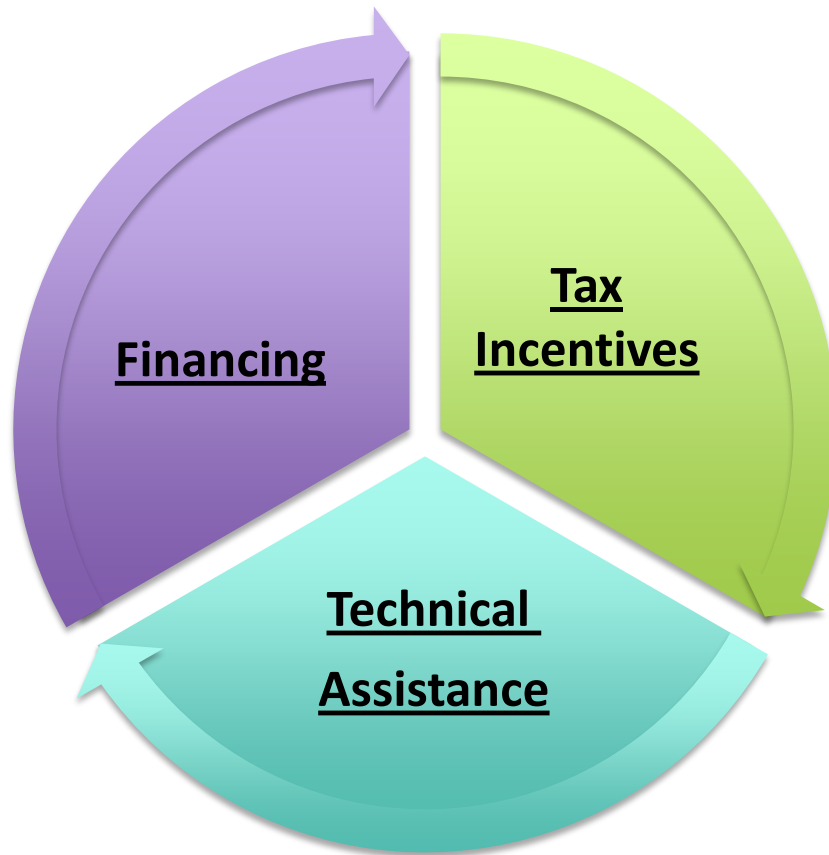
Economic Development Strategy



A Comprehensive Approach



DECD Toolbox Supports Business Growth



- **Six targeted industries:**
 - Insurance/Financial Services
 - Bioscience
 - Advanced Manufacturing
 - Green Technology
 - Digital Media
 - Tourism
- **With specific focus on:**
 - Small businesses
 - Entrepreneurs and innovators
 - Minority business owners
 - International business recruiting

Small Business Express

Supports the retention and growth of small business (under 100 employees) with a combination of loans and grants

- Matching grants of up to \$100,000 or loans/forgivable loans in amounts up to \$300,000
- Success to date:
 - Assisted 1,494 companies
 - Provided \$230M in financial assistance
 - Promise to create 5,794 jobs and retain 16,546

Manufacturing Assistance Act

Provides incentive-driven loans for mid and large-sized companies growing jobs and building their businesses in CT

- Success to date:
 - Assisted 124 companies in 53 different municipalities
 - Provided \$332M in financial assistance, leveraging \$941M in private investment
 - 30,849 jobs retained and 6,587 to be created

Manufacturing Innovation Fund

Assists manufacturers in making innovative, strategic investments needed to remain competitive, win new contracts, and grow jobs

| PROGRAM REPORT (as of January 31, 2016) | | | |
|---|---|---|--|
| | Voucher Program (matching grant) | Incumbent Worker Training (matching grant) | Apprenticeship Program |
| Approved Applications | 195 | 107 | 56 Registered Apprentices (with 17 pending applications) |
| Total \$ Approved | \$6,710,294 | \$2,481,657 | \$1,017,000 |
| Average Approved Per Company | \$34,412 | \$23,293 | TBD |

First Five

- Encourages business expansion, relocation and job creation for large-scale companies that create 200 jobs within 2 years or invest \$25M and create 200 jobs within 5 years
- Success to date:
 - 13 projects to date
 - Provided \$256M in direct state assistance, leveraging \$1.3B
 - 13,526 jobs to be retained and 2,600 to 5,264 jobs to be created
 - Eight of the companies have already created 2,394 jobs

BUILDING STRONG PARTNERSHIPS



Adaptive Reuse (and Brownfields!)

- Since FY2012, the state has invested \$155m in 100+ projects to remediate and redevelop brownfields
- Focus/prioritization for Transit-oriented and historic preservation projects
- For every dollar invested, \$4.99 has been or will be invested by non-state partners
 - FY2016 projects: \$8.37 for every \$1 invested
- 2016: New comprehensive cluster-based planning program: Brownfield Areawide Revitalization (BAR) Grants (\$1m to six communities)

Minority Business Initiative

- Purpose: Increase participation of minority-owned businesses
- Targeting Bridgeport, East Hartford, Hartford, Meriden, New Britain, New Haven, New London, Norwalk and Waterbury
- Advisory board meeting; community sessions underway
- Website (www.ctmbi.com) and bilingual hotline created



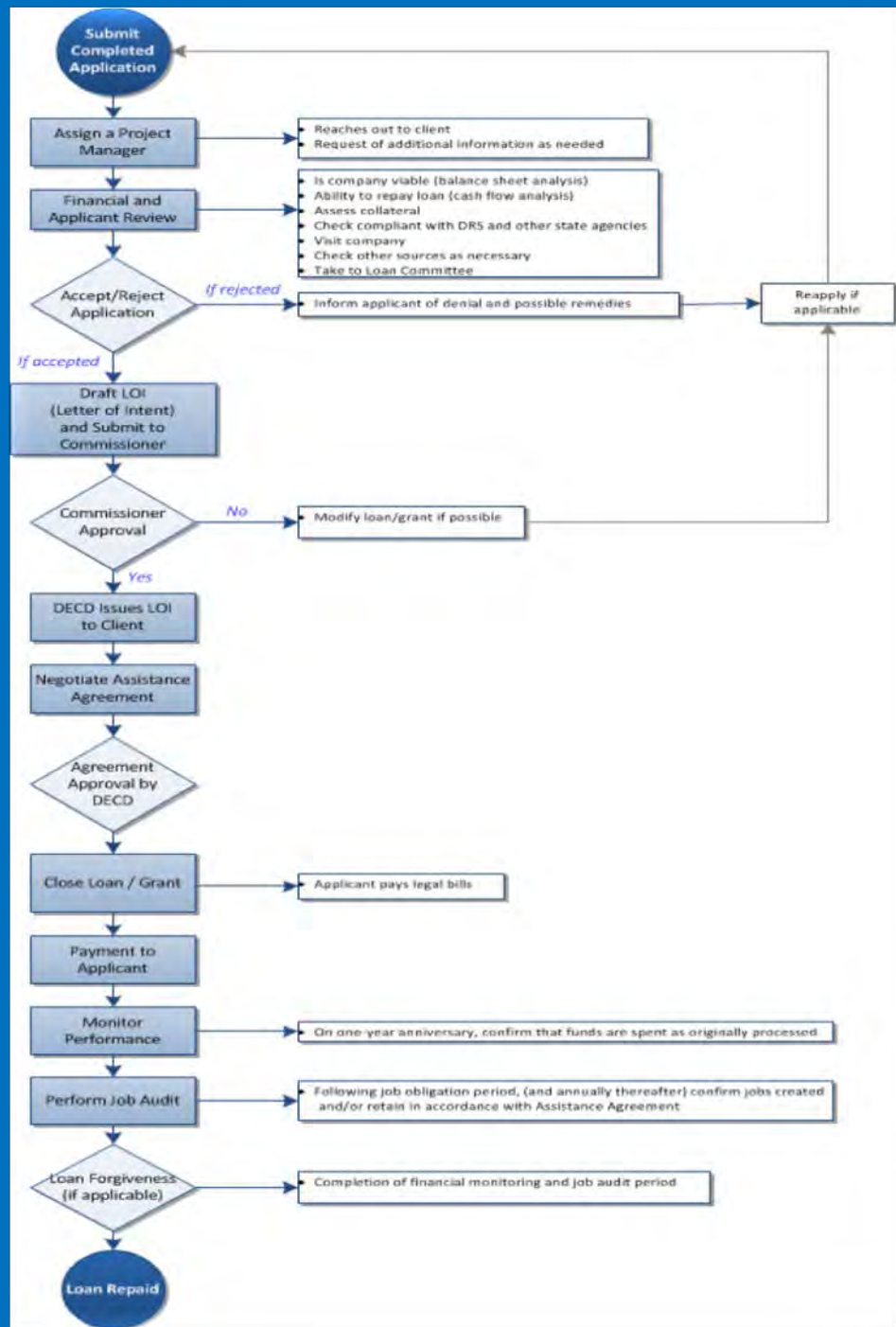
DECD Remains Vigilant in Use of State Funds

- Full underwriting of all financial assistance
- Seek a Return on Investment (ROI) of at least the cost of capital, often much more
- Utilize grants, loans, tax credits as leverage to gain job growth and private capital investment
- Overall our portfolio is creating value:
 - 1,816 companies are growing 18,012 jobs with 72,799 jobs retained
 - Creating 107% of the expected jobs
 - Leveraging \$2.7 billion
 - Delivering on commitments

Stewards of Taxpayer Funds

- DECD assistance packages require an ROI analysis
- We evaluate both the direct and indirect cost and benefits of the programs on a deal by deal basis
- REMI uses experience from over 40 years of economic outcomes to model expected future results of investments and growth in specific industries
- Inputs: state assistance; company's investment; new employment; industry sector impacted
- Outputs: expected impact on state revenue, GDP, annual loss/gain

DECD “LEANED” Underwriting Process



Deal Terms

\$2 MM loan at 2% for 10 yrs w/ a 10 year amortization w/ \$1MM forgiveness in yr 3.

Annual salaries average \$60,000 and incr. 2.5% annually
Payroll taxes based on 25 net new total jobs w/ range of

3.16% cost[†]

of fun

| YR 1 | YR 2 | YR 3 | YR 4 |
|------|------|------|------|
|------|------|------|------|

1. STATE INVESTMENT (DECD,CII,DOH)
2. OTHER STATE INVESTMENT (i.e. DEEP,DOL)
3. COST OF FUNDS (cost to bond,P&I, link to line 24 in "Income Statement")
4. COST OF TAX ABATEMENTS/CREDITS

1. CORPORATE TAXES
2. PAYROLL TAXES (link this to line 43 in "Wage & Comp Bill")
3. SALES TAXES (project & end user)
4. PMTS OF P &/or I ON LOAN (based on loan terms)
5. FEES PAID TO DEPARTMENT

1. SALES TAXES
2. PAYROLL TAXES

DIRECT RETURNS TO CT

NET CASH FLOWS

CUM CASH FLOW

CONCLUSIONS OF ANALYSIS:

PAYBACK PERIOD (YRS): 6.02 YEARS

| | |
|-------------------------------------|-----------------|
| NET PRESENT VALUE (\$'000's) | \$ 2,485 |
|-------------------------------------|-----------------|

| | | | | | | | | | |
|---------|---------|-------|-------|-------|-------|-------|-------|-------|-------|
| (136) | (136) | (136) | | (136) | (136) | (136) | (136) | (136) | |
| 159 | 181 | 144 | 108 | 219 | 229 | 241 | 253 | 267 | 282 |
| 221 | | | | 111 | 111 | 111 | 111 | 111 | 111 |
| | | | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 1,026 | 404 | 305 | 319 | 330 | 340 | 352 | 364 | 378 | 393 |
| 890 | 267 | 168 | 183 | 193 | 204 | 216 | 228 | 241 | 257 |
| (1,702) | (1,298) | (993) | (674) | (344) | (4) | 348 | 712 | 1,090 | 1,483 |

Conclusion

- Connecticut is making progress
- We have enormous strengths upon which to build
- We must continue to invest in critical areas to retain our advantages
- We must address areas of concern
- Let's work together to grow our economy!