Legislative History for Connecticut Act

HB 6053 (PA 90-270) 1990

Senate 3135-3148 (14p)

House 5029-5030, 9341-9386 (48p)

Planning & Development 999, 1010-1024, 1039-1042, (98p)
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1169-1171, 1178-1180
total = 160p

Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate and House of Representatives Proceedings

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CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
1990

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2973-3344

Has everyone voted? Has everyone voted? The machine is closed.

Clerk please tally the vote.

The result of the vote.

36 Yea

0 Nay

This bill is adopted.

THE CLERK:

Substitute HB5670, File No. 515, AN ACT CONCERNING NOTIFICATION OF CONSUMER REPORTING AGENCIES OF CHILD SUPPORT DELINQUENCIES. (As amended by House Amendment Schedule "A")

Favorable Report of the Committee on APPROPRIATIONS.

THE CHAIR:

Senator O'Leary.

SENATOR O'LEARY:

Thank you, Mr. President. We will pass that temporarily.

THE CHAIR:

Objection? So ordered. Clerk please call the next item. I believe we're on.

THE CLERK:

Substitute HB6053, File No. 416, AN ACT ADOPTING THE ECONOMIC DEVELOPMENT AND MANUFACTURING ASSISTANCE

ACT OF 1990 FOR PRIORITIZING PROJECTS RECEIVING FINANCIAL ASSISTANCE FROM THE CONNECTICUT DEVELOPMENT AUTHORITY AND ESTABLISHING TAX CREDITS FOR DEFENSE CONVERSION ACTIVITIES. (As amended by House Amendment Schedules "A" "B" and "C")

Favorable Report of the Committee on Government Administration and Elections.

THE CHAIR:

Senator Barrows.

SENATOR BARROWS:

Mr. President, I move acceptance of the Joint Committee's Favorable Report in concurrence with House Amendments "A" "B" and "C".

THE CHAIR:

You may proceed, Senator.

SENATOR BARROWS:

Mr. President, this bill established a single Department of Economic Development Financial Assistance program based on establishment programs but open to businesses as well as towns undertaking development related, real estate projects and available for new proposed, proposals such as equipment purchases, defense conversion and business support services like employee housing, day care and job training.

Also, Mr. President, the bill authorizes 40 million bonds for this new program. This bill also narrows the beginning...narrows beginning March 1991 the town with tax incentives for job creation, business expansion and related equipment purchases and equipment upgrading may be used and eliminated, eliminates most location-based job creation grants.

Also this bill establishes a full year, 100 percent property tax exemption, with full state reimbursement for new manufacturing equipment acquired after October 1st 1990.

This bill also requires the Connecticut Development Authority to prove financial assistance for projects according to its written procedures, allows these procedures to be given priority to certain kinds of projects.

It also requires CDA to make sure that projects comply with all state laws and regulations before it gives them assistance. It also prohibits CDA from funding new resource recovery facilities. This also allows CDA, I mean CP, DED, sell-release surplus state or federal properties for use for specific business activities.

This bill also establishes the Connecticut Commission on business opportunities, defense diversification, and industrial policies to advise the

General Assembly and DED on industrial policy issues and also evaluates how pending bills effect the state's economy and manufacturers.

And it also prepares and rebukes defense conversion strategies. This bill also allows towns to abate, towns to abate up to 50 percent of any err refiled property taxes.

And it also prohibits towns from reducing the tax assessment on any nonresidential property whose owners pollute it, whose owners pollute it or create an environmental hazardous condition.

Mr. President that's the basis of this bill.

THE CHAIR:

Will you remark further? Further remarks? Senator Sullivan. The Senate will stand at ease.

There was an amendment that was filed and we didn't pick it up immediately, will the Clerk please call that amendment.

THE CLERK:

LCO4496 designated Senate Amendment Schedule "A", offered by Senator McLaughlin of the 32nd District.

THE CHAIR:

Senator McLaughlin, we apologize that, but midway through Senator Barrows' discussion we had identified that there an amendment here. We apologize.

SENATOR MCLAUGHLIN:

Thank you, Mr. President, these things happen. I am not going to call this amendment at this time.

THE CHAIR:

May it please be withdrawn. Clerk please note. Further remarks? Senator Barrows. Senator Sullivan.

SENATOR SULLIVAN:

Deference to In principio of, I am pleased that Senator McLaughlin has seen the wisdom of stopping to fight the battle for our manufacturers here in the State of Connecticut. He's finally withdrawn his anti-manufacturing amendment.

I rise to support this piece of legislation that probably will get very little notoriety, and probably will not see the front pages tomorrow because it's not very attractive.

However, it does stand out as a piece of very significant legislation in regard to the situation that exists today in the State of Connecticut and in the northeast corridor.

I would hope that the Circle would give it unanimous approval. It will be a true manifestation of the fact that Connecticut wishes to retain its manufacturing base, recognizes the fact that in regard to property tax abatements, that we must do something to adjust to the elimination of the investment tax credit consistent with the federal tax act of 1986.

And most importantly, it recognizes the fact that Connecticut, again, like the states of Massachusetts and the rest of New England, is serious at...seriously at risk in regard to prospective defense cutbacks.

And finally the development of a commission to aid and support the Commissioner of Economic Development, is something that is long needed and called for here in the State of Connecticut.

The allusion to an industrial policy simply states that the ad hoc efforts that have gone on in the last few years, must now cease, and that under the guidance of the Commissioner and the Commission itself, the broad-based industrial policy looking at the variety of impacts of legislation, defense cutbacks, plant closings legislation, the decline of manufacturing and the growth of the service sector, must come under the total scrutiny of a multitude of agencies so that we can have an integrated and sensible attitude toward a retention of our manufacturing base.

It's very important, because we must retain the value added tax base that goes along with manufacturing. I would hope that we would have a unanimous degree of support for this piece of legislation and since it is so important, Mr. President, I would ask for a roll call.

THE CHAIR:

Clerk, please-- Clerk, please note that a roll call has been requested. Senator McLaughlin, followed by Senator Upson.

SENATOR MCLAUGHLIN:

Thanks, Mr. President. The extensive amendment, the House LCO5170 that came to us, didn't come with a fiscal note. Although I'm not, and I'm certainly not going to object on any basis to this bill, but I did want to ask - thank you, Senator Freedman.

I did want to ask a question on a, I don't need to ask the question - I think I can read from the fiscal note. One of the matters, one of the things we do around here periodically, we do good things, and we try to do good things and I think this bill does many great things. I think it's much needed.

But I think it's important that we point out some of the, some of the flaws that exist in this bill. One notably is that we as a Legislature are going to pass legislation finally dealing with the most important matter in this state that makes this state uncompetitive with our brethren states in the industrial northeast, and that is dealing with the onerous property tax on personalty for businesses.

Very important, and in so doing we've addressed that in this bill. I felt at the time that we had a Manufacturing Task Force hearing on matters regarding topics of finance that several key members attended, I had asked a question I had resolved at that time that the property tax issue was more important than business to business, than a tax credit of 5%, 10% or 50% on an investment tax credit basis, that the annual property tax paid on machinery and equipment was truly an anti-competitive measure that Connecticut didn't have a peer in.

But I think it should be noted for the record and clearly I'm sure someone pointed it out in House, in their copious review they point out everything. But I think it should be noted that the effects of the...the effects of this property tax measure will not take effect in this fiscal year, the following fiscal year that we're budgeting for, indeed I don't believe it takes effect until fiscal 1993.

And that's a little disingenuous if we're going to do these kinds of things. I think it ought to be pointed out. It is not unlike what we did with the Education Enhancement Act, where we passed great legislation, crossed our fingers, winced and hoped that the Secretary of the State ruled sine die.

But the problem in terms of fiscal needs to pay for this will have to be dealt with by some future legislature, and I think that's important to note out.

I would also like to remark because I want to certainly point it out, and I'm certain that Senator Sullivan was making his comment in jest, as he began this. But the last thing I wanted to do was to hold up this omnibus bill. It's a very, very important bill.

But one of the things that happens in this process, late in the legislative session, is we have different measures that are added. Sometimes we err, we did so last night in the State House when an amendment was put on and the amendment I had drafted but did not call out of fairness to the fact that I believe the bill would have had to return to the House and might have meant its demise en route, or there. And that was with regard to an issue which, for the record, I want to indulge the Chamber on, is really I think, a very imprudent action.

My amendment would have dealt with the section 26 of the amended House version that we received, that has to deal with a preclusion to resource recovery facilities that could be financed through the Connecticut Development Authority, much like the

Bristol facility was financed.

These remarks are for the record, and I think they will stand and I think it is an unfortunate action. I would hope, perhaps someday we could correct.

The Connecticut Development Authority as the Connecticut Resources Recovery Authority is a credit facility that we issue debt through as a conduit. The CRA a somewhat active facility, the CDA as somewhat passive facility. But the CDA has clearly established a track record for the issuance of debt for resources recovery facilities as they did in the Bristol project.

That debt trades on the secondary market at a premium. It's highly valued. It's valued at a better value than the CRA's debt. The fact is the CDA can no longer finance resource recovery projects.

We've cut the CDA out of it. I think that's unfortunate. Establishing a turf might be one thing, but to have the option available so that we can lower the cost to issue debt for these high cost capital projects, I think is an imprudent action.

Now, let's talk about what really happened. What we've done by that House Amendment, which is now on the bill and is riding along safely because we don't want to send it back, is we're preventing a possible CDA financing to occur in Lisbon. I think that's the issue. Lisbon, that's close to a State Representative's District in Norwich. I think all of that is unfortunate and I wanted to point it out for the record.

But the last thing I want to do, and I know that Senator Sullivan was certainly acting in jest, is to hold up this very important legislation. I think it does materially affect our adjustment in dealing with the critical time in our economy and I strongly support it.

THE CHAIR:

Will you remark? Remark further? Senator Upson followed by Senator Sullivan.

SENATOR UPSON:

Mr. President, I realize it's late, I am going to support this legislation. However, there was a certain group that you set up with Senator Smith, and their eight Senators, and I'm going to harp on that for a minute.

We had extensive hearings throughout the state and we heard what the problems were with business, and we as Legislator, Legislature have not addressed in this session. This addresses it somewhat. But we also were told, and Senator Sullivan was part of it, that we still have the highest sales tax in the nation.

This Legislature has done nothing about that. We were told we have the highest corporate tax in the State of Connecticut in the nation. This Legislature has done nothing about that. We have the highest cost of utilities. This Legislature has done nothing about that.

The highest cost of worker's compensation; This Legislature has done nothing about that. We've done nothing about any of the problems affecting business in the State of Connecticut. And this group, which you chaired with Senator Smith, and we had extensive meetings throughout the state, and we heard what the problems were, we've not addressed them.

So if we sit down tonight, whatever time we get out of here, and vote for certain legislation, and go home and think we've done something to keep business here, we have not.

If you think we've changed the mind of business, who now when a decision they have to make to relocate elsewhere, they're not going to consider Connecticut. We know that. We've done nothing to allay their fears, and I fear the 1990's are going to be disastrous for Connecticut.

THE CHAIR:

Senator Sullivan.

SENATOR SULLIVAN:

Yes, through you Mr. President. I share some of the concerns expressed by this distinguished Senator from Waterbury, who, it would be my hope, with the development of this commission will be, be brought to fruition very quickly and that those of us who are interested in putting all these pieces of the puzzle together, will indeed answer the concerns of Senator Upson.

That will be enough on Bill 3, Mr. President, I think we're fortunate to have sitting through this tonight, Commissioner of Economic Development, Mr. Steven Heinz, and the members of his staff who squired us through very treacherous waters for God knows how many months, and I think first we'll have a vote on it and I would like to express publicly my appreciation to the Commissioner and to his staff, for the help and concern and working closely with the elements of the Manufacturers Task Force group for a number of months to see this through.

Maybe I'm being presumptuous because the green light's not up there, but Commissioner, once again, my admiration to you and your staff for your efforts and thought that went into this piece of legislation which will be key noted in this country as forward looking, a piece of legislation that this state had the courage to enact.

THE CHAIR:

Will you remark further? Clerk, please make an announcement for immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate. Will all Senators please return to the chamber. Immediate roll call has been ordered in the Senate. Will all Senators please return to the chamber.

THE CHAIR:

We're dealing with Senate Agenda No. 1, HB6053, File Copy 416. Your machine is open, please cast your vote.

Has everyone voted? Has everyone voted? Machine is closed.

Clerk please tally the vote.

The result of the vote.

36 Yea

0 Nay

The bill is adopted.

The Chair will indulge in just a point of personal privilege for a moment and acknowledge as well the-- If I might have your attention -- the respective Chairs of the Committee, and also would like to point out that

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House Bill 5982, as amended by House Amendment "A".

Total Number Voting	144
Necessary for Passage	73
Those Voting Yea	144
Those Voting Nay	0
Those absent and not Voting	7

SPEAKER BALDUCCI:

The bill as amended is passed. (Gavel)

CLERK:

Returning to Calendar 326, Substitute for House Bill 6053 on page 19, AN ACT ADOPTING THE ECONOMIC DEVELOPMENT AND MANUFACTURING ASSISTANCE ACT OF 1990, PRIORITIZING PROJECTS RECEIVING FINANCIAL ASSISTANCE FROM THE CONNECTICUT DEVELOPMENT AUTHORITY AND ESTABLISHING TAX CREDITS FOR DEFENSE CONVERSION ACTIVITIES.

Favorable Report of the Committee on FINANCE, REVENUE AND BONDING.

REP. FRANKEL: (121st)

Mr. Speaker.

SPEAKER BALDUCCI:

Representative Frankel.

REP. FRANKEL: (121st)

Yes. I move this bill be referred to the Committee on Government Administration and Elections.

SPEAKER BALDUCCI:

The question is on referral. Is there objection? Seeing none, it is so ordered.

CLERK:

Page 6, Calendar 428, Substitute for Senate Bill 267, AN ACT CONCERNING INCREASED RECREATIONAL OPPORTUNITY FOR LONG ISLAND SOUND.

Favorable Report of the Committee on GOVERNMENT ADMINISTRATION AND ELECTIONS.

REP. MUSHINSKY: (85th)

Mr. Speaker.

SPEAKER BALDUCCI:

Representative Mushinsky of the 85th.

REP. MUSHINSKY: (85th)

Thank you, Mr. Speaker. I move acceptance of the Joint Committee's Favorable Report and passage of the bill, in concurrence with the Senate.

SPEAKER BALDUCCI:

The question is on passage. Will you remark?

REP. MUSHINSKY: (85th)

Mr. Speaker. This bill requires the DEP, the DOT, the Public Works Department, UConn and other agencies to identify state owned properties with public access to Long Island Sound. They must report to the

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CLERK:

The House of Representatives if voting by roll, members to the Chamber please. Members to the Chamber please, the House is voting by roll.

SPEAKER BALDUCCI:

Have all the members voted and is your vote properly recorded? If all the members have voted, the machine will be locked. Clerk take a tally. Clerk please announce the tally.

CLERK:

House Bill 5571, as amended by House "A".

Total number Voting	145
Necessary for Passage	73
Total voting Yea	140
Total voting Nay	5
Those absent and not voting	6

SPEAKER BALDUCCI:

The bill as amended is passed. (Gavel)

CLERK:

Page 18, please. Calendar 326, Substitute for House Bill 6053, AN ACT ADOPTING THE ECONOMIC DEVELOPMENT AND MANUFACTURING ASSISTANCE ACT OF 1990, PRIORITIZING PROJECTS RECEIVING FINANCIAL ASSISTANCE FROM THE CONNECTICUT DEVELOPMENT AUTHORITY AND ESTABLISHING TAX CREDITS FOR DEFENSE CONVERSION

ACTIVITIES.

Favorable Report of the Committee on GAE.

REP. MCNALLY: (47th)

Mr. Speaker?

SPEAKER BALDUCCI:

Representative McNally of the 47th.

REP. MCNALLY: (47th)

Mr. Speaker, I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

SPEAKER BALDUCCI:

Question is on passage. Will you remark?

REP. MCNALLY: (47th)

Yes, Mr. Speaker. At a time when Connecticut's economy seems to be softening, we have before us a bill which will help the State of Connecticut in its efforts to turn the State's economy around.

The Economic Development Manufacturing Assistance Act of 1990 establishes a single economic development financial assistance program, narrows tax incentives available to towns, requires the Connecticut Development Authority to adopt a ranking system giving priority to defense conversion projects, making sure the projects comply with state laws and regulations. And I would move adoption.

SPEAKER BALDUCCI:

Question is on passage. Will you remark? Representative Cibes of the 39th.

REP. CIBES: (39th)

Thank you, Mr. Speaker. In order to fully update this bill, it has been necessary to undertake a significant amendment. The clerk is in possession of LCO5179. I would ask that he please call and that I be given permission to summarize?

SPEAKER BALDUCCI:

Clerk please call LCO5179, designated House "A".

CLERK:

LCO5179, House "A", offered by Representative Cibes.

SPEAKER BALDUCCI:

The question is on summarization. Is there objection? Representative Cibes.

REP. CIBES: (39th)

Thank you, Mr. Speaker. This amendment does a number of things and let me run through the fiscal note summary of that, because I think that is probably the best way to look at it.

First of all it expands the service sector facilities located in enterprise zones that are eligible for assistance, does that essentially for much of the fist part of the bill. Running through lines

135. It also permits priority status to be granted to applications for financial assistance upon the extent to which a project will materially contribute to the economic base of the state.

It eliminates municipal resource recovery facilities which process municipal solid waste, basically it is defined in subsection 23 of section 1, of Public Act 89-386. Except if that municipal solid, if the municipal resource recovery facilities which process municipal solid waste or additions or expansions of an existing facility.

It creates in lieu of a series of tax credits for defense diversification, creates a Connecticut Commission on business opportunity. Defense diversification and industrial policy.

It eliminates what is in the bill providing the that portion of the bill, which provides for a 5% investment tax credit on machinery and equipment starting in 1990, in the fiscal year 1990/91. And revises the property tax exemption for manufacturing machinery equipment starting after the Grand List of October 1, 1990, so that that property, revised property tax exemption expanded to a much wider range of manufacturing equipment and research and development equipment. Begins as of a Grand List of October 1, 1991.

Further provides that that property and that property only will be subject to an exemption for a period of four years from the time of the Grand List. So that it does not, that exemption does not go on forever. After the four year exemption becomes taxable once again to the municipality on the basis that the manufacturer declares.

This provision, however, does not sunset after a certain number of years. It is an ongoing exemption, an ongoing program, except that there is a provision for a review of this, of the implications of this program and its impact on manufacturing in this state in 1994. I think it is due, that report is due in 1994, I believe.

It provides for bond authorization for 100,000 dollars to fund the activities of the new Connecticut Commission on Business opportunity. It establishes a sealing of 1 1/2% of authorized bonds for administrative expense of the Connecticut Department of Economic Development, and the particular activities that are involved. And authorizes 40 million dollars in bonds to replace bonds which will be reduced in the Bond Act for the Connecticut Department of Economic Development.

I would move adoption.

SPEAKER BALDUCCI:

The question is on adoption. Will you remark? If not, Representative Duffy of the 77th.

REP. DUFFY: (77th)

Thank you, Mr. Speaker. Just one question. In line 322 through 327, this amendment specifies that prohibitions on CDA financing of resource recovery facilities will not apply to an existing municipality, municipal facility that is privately owned, that may be expanding or creating an addition. I just want to clarify for legislative intent that that will not prohibit such a facility from obtaining CDA financing in the future when it does expand.

REP. CIBES: (39th)

Through you, Mr. Speaker. That is correct.

REP. DUFFY: (77th)

Thank you, Mr. Speaker.

SPEAKER BALDUCCI:

Will you remark further on the amendment? Representative Holbrook of the 35th.

REP. HOLBROOK: (35th)

Yes, Mr. Speaker, through you a question to the proponent of the amendment?

SPEAKER BALDUCCI:

You may proceed.

REP. HOLBROOK: (35th)

Thank you, Mr. Speaker. Through you, Mr. Speaker. We talked about manufacturing equipment, does that include. I know like farm machinery is excluded now for certain taxes. Does that include machinery that is used in construction in the manufacturing? Can it be stretched that far? Through you, Mr. Speaker.

REP. CIBES: (39th)

Through you, Madam Speaker. The definition of that new machinery and equipment which becomes exempt from taxation is basically contained in, in a section starting on lines 395. And specifically says that it is limited to new machinery and equipment which is defined as tangible, personal property. Which is installed in the manufacturing facility, operating by manufacturer, is either 5 year property, or 7 year property, as defined by the internal revenue code, section 168e, I guess. 168e. And then goes on to specify that it involves the predominant use of which is for the manufacturing processing or assembling] of raw materials for research and development for the significant servicing, overhauling, or rebuilding of machinery. And goes on to specify that that must be used in a, for a manufacturer which is in, falls within the standard industrial classification 2000, to 3999 inclusive.

DEPUTY SPEAKER POLINSKY:

Representative Holbrook.

REP. HOLBROOK: (35th)

Through you, Madam Speaker. Thank you very much. I take it then, that construction equipment then would not be exempt. I guess it just pertains specifically to equipment that would be stationed within site of a manufacturing plant?

REP. CIBES: (39th)

Through you, Madam Speaker. Certainly, normally rolling stock is not included in the definition of 5 year or 7 year property, under IRS Code 162e, nor is construction within the standard industrial classification 2000 - 3999. Basically, construction is in the codes 1500 to 1799. So, the answer is that it does not include that kind of construction equipment.

DEPUTY SPEAKER POLINSKY:

Representative Holbrook.

REP. HOLBROOK: (35th)

Thank you, Madam Speaker. No more questions.

DEPUTY SPEAKER POLINSKY:

Will you remark further on this amendment? Will you remark further on this amendment? Representative

Rell.

REP. RELL: (107th)

Thank you, Madam Speaker. A question to Representative Cibes, please.

DEPUTY SPEAKER POLINSKY:

Please frame your question, madam.

REP. RELL: (107th)

Thank you. Representative Cibes, when you were addressing the amendment you talked about the tax credits for defense industry. And I thought you said that they were being replaced with the Connecticut Business Opportunity. Is that correct? Through you, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker. That is correct. Sections 26 and 27 are struck by this amendment and section 27 is what had provided for the tax credits for diversification activities. And you will find that language on line 304 in terms of deleting section 26 and 27 and the new section 27 in terms of creating a Connecticut Commission of Business Opportunity begins on line 337 of the amendment.

REP. RELL: (107th)

Through you, Madam Speaker?

DEPUTY SPEAKER POLINSKY:

Representative Rell.

REP. RELL: (107th)

Thank you. Wasn't the Commission established in the original bill, however? And that what we are doing now is taking away the tax credits for the defense industry and replacing that? Through you, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker. At this point I would like to yield to the Chairman of Planning and Development Committee, Representative McNally.

DEPUTY SPEAKER POLINSKY:

Representative McNally, do you accept the yield?

REP. MCNALLY: (47th)

Yes, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Please proceed.

REP. MCNALLY: (47th)

Madam Speaker, through you to Representative Rell. If you look on lines 115 through 117 of the original file, you will see that diversification matters are directly eligible for the general package of incentives that will be contained in the file copy. So that while the tax credits have been removed, one is eligible for financing between 70 and 90% depending on the location of the company working towards diversification.

So, instead of having tax credits, we can have grants, which are ultimately more lucrative.

DEPUTY SPEAKER POLINSKY:

Representative Rell.

REP. RELL: (107th)

Thank you, Madam Speaker. Thank you, Representative McNally.

DEPUTY SPEAKER POLINSKY:

Will you remark further on this amendment? Will you remark further? If not, Representative Tiffany.

REP. TIFFANY: (36th)

Thank you, Madam Speaker. I am intrigued in a couple of places in this amendment we are adding fishing, hunting and trapping. Which intrigues me in a enterprise zone. And I was just wondering if someone could give me the genesis of this addition?

DEPUTY SPEAKER POLINSKY:

Representative McNally.

REP. MCNALLY: (47th)

Madam Speaker, through you. The fishing trapping and hunting in enterprise zones looks on the face of it to be a little odd. But what it allows is for marine industries to be eligible for benefits. And that is standard SIC code that includes the entire phrase. And so for those enterprise zones along the shoreline, like New London for example, who significant marine fishery industries, one is allowed to have the enterprise zone and other available benefits here included as part of the package.

DEPUTY SPEAKER POLINSKY:

For the growing population of coyotes no doubt. Will you remark further on this amendment? Will you remark further? If not, let us try you minds.

All those in favor of House Amendment "A", please indicate by saying, aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER POLINSKY:

Opposed, nay.

The ayes have it, the amendment is adopted.

(Gavel)

******

The following is House Amendment Schedule "A";

In line 62, delete the word "manufacturing"
In line 63, delete the words "and the" and insert". The" in lieu thereof

In line 144, after "recycling" insert", provided activities related to employee housing shall be limited to feasibility and implementation studies:

In line 363, delete "which if acquired in"

Delete line 364 in its entirety

In line 365, delete "price no greater than" and insert in lieu thereof "provided such financial assistance shall not exceed?

In line 378, delete "when adequate"

Delete line 379 in its entirety

in line 380, delete "agencies of the state" and insert the agency when such agency does not provide adequate funds for such services or when no other state agency provides such services:

After line 1006, add the following:

"(c) The amount expended by the department of administrative expenses and other costs shall annually not exceed one and one-half per cent of the amount authorized by the general assembly for the purposes of sections 1 to 15, inclusive, of this act.

(d) On our before March first, annually, the commissioner shall submit a report to the joint standing committees of the general assembly having cognizance of matters relating to economic development and to capital bonding setting forth, for the previous calendar year, the amount expended for program activities and administrative expenses and costs."

In lines 1102 and 1168, after the word "services" insert the following: ", HEALTH SERVICES, FISHING, HUNTING AND TRAPPING, MOTOR FREIGHT TRANSPORTATION AND WAREHOUSING, WATER TRANSPORTATION, TRANSPORTATION BY AIR, TRANSPORTATION SERVICES SECURITY AND COMMODITY BROKERS, DEALERS, EXCHANGES AND SERVICES:

After section 17, insert the following:

:Sec. 18. Section 32-9s of the general statutes, as amended by section 4 of public act 89-235, is repealed and the following is substituted in lieu thereof:

The state shall make an annual grant payment to each municipality, to each district, as defined in section 7-325, which is located in a distressed municipality, TARGETED INVESTMENT COMMUNITY OR ENTERPRISE ZONE and to each special services district created pursuant to chapter 105a which is located in a distressed municipality, TARGETED INVESTMENT COMMUNITY OR ENTERPRISE ZONE (1) in the amount of seventy-five per cent of the amount of that tax revenue which the municipality or district would have received except for the provisions of subdivisions (59) and (60) of section 12-81, AS AMENDED BY SECTION 19 OF THIS ACT, except as provided in subdivision (3) of this section, (2) in the amount of fifty per cent of the amount of the tax revenue which the municipality or district would have received except for the provisions of subdivision (70) of section 12-81, AS AMENDED BY SECTION 20 OF THIS ACT, and (3) in the case of a certified manufacturing facility located in an enterprise zone designated pursuant to section 32-70 and used by an establishment, and auxiliary or an operating unit of an establishment as such terms are defined in the Standard Industrial Classification manual in the categories of depositor institutions, nondepository credit institutions, insurance carriers, holding or other investment offices, business [management and related] services, [or miscellaneous business] HEALTH SERVICES, FISHING, HUNTING AND TRAPPING, MOTOR FREIGHT TRANSPORTATION AND WAREHOUSING, WATER TRANSPORTATION, TRANSPORTATION BY AIR, TRANSPORTATION SERVICES, SECURITY AND COMMODITY BROKERS, DEALERS, EXCHANGES AND SERVICES OR ENGINEERING, ACCOUNTING, RESEARCH, MANAGEMENT AND RELATED services from the Standard Industrial Classification Manual, which establishment, auxiliary or operating unit shows a strong performance in exporting goods and services, as defined by the commissioner through regulations adopted in accordance with the provisions of chapter 54, in the amount of fifty per cent of the amount of tax revenue which the municipality or district would have received from such facility except for the provisions of subdivisions (59) and (60) of section 12-81, AS AMENDED BY SECTION 19 OF THIS ACT. On or before the first day of August of the secretary of the office of policy and management for the amount of such grant payment to which such municipality or district is entitled under this section. The claim shall be made on forms prescribed by the secretary of the office of policy and management may require. Any municipality or district which neglects to transmit to the secretary of the office of policy and management such claim and supporting documentation as required by this section shall forfeit two hundred fifty dollars to the state, provided the secretary may waive such forfeiture in accordance with procedures and standards adopted by regulation in accordance with chapter 54. The secretary of the office of policy and management shall notify each municipality or district which has made such a claim of his acceptance or modification of the claim not later than the August first next succeeding the deadline of the receipt of such claims. Any municipality or district aggrieved by the action of the secretary of the office of policy and management under the provisions of this section may appeal, within one month of receipt of any notice made pursuant to this section, to the superior court for the judicial district in which such municipality or district is located. the secretary of the office of policy and management shall, on or before the December first next succeeding the deadline for the receipt of such claims, certify to the comptroller the amount due under this section, including any modification of such claim made prior to December first, to each municipality or district which has made a claim under the provisions of this section. The comptroller shall draw his order on the treasurer on or before the following December fifteenth, and the treasurer shall pay the amount thereof to each such municipality or district on or before the December first following the date on which the municipality or adjustment to the amount due to any municipality or district for the period for which such modification was made shall be made in the next payment the treasurer shall make to such municipality or district pursuant to this section."

In line 1257, delete "18" and insert "19" in lieu thereof and before "(59)" strike "Subdivisions" and insert in lieu thereof "subsections"

In line 1394, delete "19" and insert "20" in lieu thereof and before "(70)" strike "Subdivision" and insert in lieu thereof "Subsection"

In line 1464, delete "18" and insert "19" in lieu thereof

In line 1485, delete "20" and insert "21" in lieu thereof

In line 1517, delete "18" and insert "19" in lieu thereof

In line 1645, after "FIFTY" insert "FULL-TIME EMPLOYEES"

In line 1676, after "FIFTY" insert "FULL-TIME EMPLOYEES"

Strike section 24 in its entirety and insert the following in lieu thereof:

"Sec. 24. Section 32-23e of the general statutes is repealed and the following is substituted in lieu thereof:

To accomplish the purposes of this chapter, chapter 578 and subsection (a) of section 10-321 and subdivision (9) of subsection (a) of section 36-322, which are hereby determined to be public purposes for which public funds may be expended, and in addition to any other powers provided by law, the authority shall have power to: (1) Determine the location and character of any project to be financed under the provisions of said chapters and sections, PROVIDED ANY FINANCIAL ASSISTANCE SHALL BE APPROVED IN ACCORDANCE WITH WRITTEN PROCEDURES PREPARED PURSUANT TO SUBDIVISION (14) OF THIS SECTION; (2) purchase, receive, by gift or otherwise, lease, exchange, or otherwise acquire, and construct, reconstruct, improve, maintain, equip and furnish one or more projects, including all real and personal property which the authority may deem necessary in connection therewith, and to enter into a contract with a person therefor upon such terms and conditions as the authority shall determine to be reasonable, including but not limited to reimbursement for the planning, designing, financing, construction, reconstruction, improvement, equipping, furnishing, operation and maintenance of the project and any claims arising therefrom and establishment and maintenance of reserve and insurance funds with respect to the financing of the project; (3) insure any or all payments to be made by the borrower under the terms of any agreement for the connection with any economic development project to be financed, wholly or in part, through the issuance of bonds or mortgage payments of any mortgage which is given by a mortgagor to the mortgagee who has provided the mortgage for an economic development project upon such terms and conditions as the authority may prescribe and as provided herein, and the faith and credit of the state are pledged thereof; (4) in connection with the insuring of payments of any mortgage, request for its guidance a finding of the municipal planning commission, or, if there is no planning commission, a finding of the municipal officers, of the municipality in which the economic development project is proposed to be located, or of the regional planning agency of which such municipality is a member, as to the expedience and advisability of the economic development project; (5) sell or lease to any person, all or any portion of a project, purchase from eligible financial institutions mortgages with respect to economic development projects and sell, pledge or assign to any person any such mortgage, or other loans, notes revenues or assets of the authority, or any interest therein, for such consideration and upon such terms as the authority may determine to be reasonable; (6) mortgage or otherwise encumber all or any portion of a project whenever it shall find such action to be in furtherance of the purposes of said chapters and sections; (7) enter into agreements with any person, including prospective mortgagees and mortgagors, for the purpose of planning, designing, constructing, acquiring, altering and financing projects, providing liquidity or a secondary market for mortgages or other financial obligations incurred with respect to facilities which would qualify as a project under this chapter, or for any other purpose in furtherance of any other power of the authority; (8) grant options to purchase or renew a lease for any of its projects on such terms as the authority may determine to be reasonable; (9) employ or retain attorneys, accountants and architectural, engineering and financial consultants and such other employees and agents and to fix their compensation and to employ the Connecticut Development Credit Corporation on a cost basis as it shall deem necessary to assist it in carrying out the purposes of said chapters and sections; (10) borrow money or accept gifts, grants or loans for funds, property or service from any source, public or private, and comply, subject to the provisions of said chapters and sections, with the terms and conditions thereof; (11) accept from a federal agency loans or grants for use in carrying out its purpose, and enter into agreements with such agency respecting any such loans or grants; (12) extend credit or make loans to any person for the planning, designing, financing, acquiring, construction, reconstruction, improving, equipping and furnishing of a project and for the refinancing of existing indebtedness with respect to any facility or part thereof which would qualify as a project in order to facilitate substantial improvements thereto, which credits or loans may be secured by loan agreements, lease agreements, instalment sale agreements, mortgages, contracts and all other instruments or fees and charges, upon such terms and conditions as the authority shall determine reasonable in connection with such loans, including provision for the establishment and maintenance of reserve and insurance funds and in the exercise of powers granted in this section in connection with a project for such person, to require the inclusion in any contract, loan agreement or other instrument, such provisions for the construction, use, operation and maintenance and financing of a project as the authority may deem necessary or desirable; (13) in connection with any application for assistance under said chapters and sections, or commitments therefor, to make and collect such fees and charges as the authority shall determine to be reasonable; (14) adopt procedures, in accordance with the provisions of section 1-121, to carry out the provisions of said chapters and sections, WHICH MAY GIVE PRIORITY TO

APPLICATIONS FOR FINANCIAL ASSISTANCE BASED UPON THE EXTENT THE PROJECT WILL MATERIALLY CONTRIBUTE TO THE ECONOMIC BASE OF THE STATE BY CREATING OR RETAINING JOBS, PROVIDING INCREASED WAGES OR BENEFITS TO EMPLOYEES, PERMITTING THE EXPORT OF PROSECUTE OR SERVICES BEYOND THE BOUNDARIES OF THE STATE, ENCOURAGING INNOVATION IN PRODUCTS OR SERVICES, ENCOURAGING DEFENSE-DEPENDENT BUSINESS TO DIVERSIFY TO NONDEFENSE PRODUCTION, PERMITTING STANDARDS OF PARTICIPATION ADOPTED BY THE CONNECTICUT PARTNERSHIP COMPACT PURSUANT TO SECTION 33-374g, OR WILL OTHERWISE ENHANCE EXISTING ACTIVITIES THAT ARE IMPORTANT TO THE ECONOMIC BASE OF THE STATE, provided regulation-making proceedings commenced before January, 1989, shall be governed by sections 4-'66 to 4-174, inclusive; (15) adopt an official seal and alter the same at pleasure; (16) maintain an office at such place or places within the state as it may designate; (17) sue and be sued in its own name and plead and be impleaded, service of process in any action to be made by service upon the executive director of said authority either in hand or by leaving a copy of the process at the office of the authority with some person having charge thereof; (18) employ such assistants, agents and other employees as may be necessary or desirable for its purposes, which employees shall be exempt from the classified service and shall not be employees as defined in subsection (b) of section 5-270; establish all necessary or appropriate personnel practices and policies, including those relating to hiring, promotion, compensation, retirement and collective bargaining, which need not be in accordance with chapter 68 and the authority shall not be an employer as defined in subsection (a) of section 5-270; contract for and engage appraisers of industrial machinery and equipment, consultants and property management services, and utilize the services of other governmental agencies; (19) when it becomes necessary or feasible for the authority to safeguard itself from losses, acquire, purchase, manage and operate, hold and dispose of real and personal property, take assignments of rentals and leases and make and enter into all contracts, leases, agreements and arrangements necessary or incidental to the performance of its duties; (20) in order to further the purposes of said chapters and sections, or to assure the payment of the principal and interest on bonds or notes of the authority or to safeguard the mortgage insurance fund, purchase, acquire and take assignments of notes, mortgages and other forms of security and evidences of indebtedness, purchase, acquire, attach, seize, accept or take title to any project by conveyance or, by foreclosure, and sell, lease or rent any project for a use specified in said chapters and sections or in said chapter 579; (21) adopt rules for the conduct of its business; (22) invest any funds not needed for immediate use of disbursement, including any funds held in reserve, in obligations issued or guaranteed by the United States of America or the state of Connecticut and in other obligations which are legal investments for savings banks in this state; and (23) do, or delegate, any and all things necessary or convenient to carry out the purposes and to exercise the powers given and granted in said chapters and sections; provided, in all matters concerning the internal administrative functions of the authority which are funded by amounts appropriated by the state to the authority or to the department, the procedures of the state relating to office space, supplies, facilities, materials, equipment and professional services shall be followed, and provided further, that in the acquisition by the authority of real estate involving the use of appropriated funds or bonds real estate involving the use of appropriated funds or bonds supported by the full faith and credit of the state, the authority shall be subject to the provisions of section 4b-23."

Delete sections 26 and 27 and insert the following in lieu thereof:

"Sec. 26. Subsection (u) of section 32-23d of the general statutes is repealed and the following is substituted in lieu thereof:

For the purposes of this chapter, the following terms shall have the following meanings unless the context indicates another meaning an intent:

(u) "Economic development project" means any project which is to be used or occupied by any person for (1) manufacturing, industrial, research, office or product warehousing or distribution purposes or hydroponic or aquaponic food production purposes and which the authority determines will tend to maintain or provide gainful employment, maintain or increase the tax base of the economy, or maintain, expand or diversify industry in the state, or (2) controlling, abating, preventing or disposing land, water, air or other environmental pollution, including without limitation thermal, radiation, sewage, wastewater, solid waste, toxic waste, noise or particulate pollution, EXCEPT RESOURCES RECOVERY FACILITIES, AS DEFINED IN SECTION 22a-219a, AS AMENDED BY SECTION 6 OF PUBLIC ACT 89-386, USED FOR THE PRINCIPAL PURPOSE OF

PROCESSING MUNICIPAL SOLID WASTE AND WHICH ARE NOT EXPANSIONS OR ADDITIONS TO RESOURCES RECOVERY FACILITIES OPERATING ON THE EFFECTIVE DATE OF THIS ACT, or (3) the conservation of energy or the utilization of cogeneration technology or solar, wind, hydro, biomass or other renewable sources to produce energy for any industrial or commercial application, or (4) any other purpose which the authority determines will materially contribute to the economic base of the state by creating or retaining jobs, promoting the export of products or services beyond state boundaries, encouraging innovation in products or services, or otherwise contributing to, supporting or enhancing existing otherwise contributing to, supporting or enhancing existing activities that are important to the economic base of the state.

Sec. 27. (NEW) (a) there is created a Connecticut commission on business opportunity, defense diversification and industrial policy which shall be within the department of economic development for administrative purposes only.

(b) The commission shall consist of the following members: The commissioners of economic development, education, higher education and labor or their designees; the president of the Connecticut Business and Industries Association or his designee; the president of the Connecticut AFL-CIO or his designee; one member representing a large manufacturing concern and one member representing a financial institution, appointed by the president pro tempore of the senate; one member representing a large business that is heavily dependent on prime defense contracts or subcontracts and one member representing a small business that is heavily dependent on prime defense contracts or subcontracts appointed by the speaker of the house of representatives; one member representing a small manufacturing concern appointed by the majority leases of the senate; one member representing a large service-related business appointed by the majority leader of the house of representatives; one member representing a small service-related business appointed by the minority leader of the senate; and one member representing an educational institution appointed by the minority leader of the house of representatives. The members who are not serving ex-officio shall serve for a term of two years, commencing July 1, 1990, and biennially thereafter, and until their successors have been duly qualified. The commission shall elect a chairman from its membership. The commissioner of economic of development shall convene the first meeting of the commission.

(c) The commission shall: (1) Advise the general assembly and the department of economic development on issues relating to (A) the diversification or conversion of defense-related industries, (B) planning for and development of the state's manufacturing base; (C) creation and implementation of an industrial policy for the state; and (D) the creation of a business climate in the state conductive to long-term planning and capital investment; (2) evaluate legislation which concerns the state's economy and the overall competitiveness thereof, the manufacturing and industrial sectors of the state's economy and businesses that are heavily dependent on prime defense contracts or subcontracts; (3) prepare and review the implementation of short-term and long-term strategies to assist businesses that are heavily dependent on prime defense contracts or subcontracts in modifying defense industry technology production capacity into nondefense related applications; (4) provide a forum to address and communicate business issues, including small business issues, to the public and private sectors; (5) foster opportunities for the development of partnerships between government and private enterprise in areas that significantly affect the state's economy; and (6) stimulate and review public and private assistance and initiatives to improve the competitiveness of Connecticut's economy."

Delete section 28 in its entirety and insert the following in lieu thereof:

"Sec. 28. Section 12-81 of the general statutes, as amended by section 1 of public act 89-235 and sections 25 and 26 of public act 89-368, is amended by adding subdivision (72) as follows:

(NEW) (72) New machinery and equipment, as defined herein, acquired after October 1, 1990, by the person claiming exemption under this subdivision, provided this exemption shall only by applicable in the four full assessment years following the assessment year in which such machinery or equipment is acquired. "Machinery" and "equipment" mean tangible personal property which is (A) installed in a manufacturing facility operated by a manufacturer, (B) either five-year property or seven-year property, as those terms are defined in section 168(e) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, and (C) the predominant use of which is for the manufacturing, processing or assembling of raw materials, parts or manufactured products; for research and development, including experimental or laboratory research and development, design or engineering directly related to manufacturing; for the significant servicing, overhauling or rebuilding of machinery and equipment for industrial use, or for the significant overhauling or rebuilding of other products on a factory basis. "Manufacturing facility" means that portion of a plant, building or other real property improvement used for the manufacturing processing or assembling of raw materials, parts or manufacturing products, for research and development, including experimental or laboratory research and development, design or engineering directly related to manufacturing, for the significant servicing, overhauling or rebuilding of machinery and equipment for industrial use, or for the significant overhauling or rebuilding of other products on a factory basis. "Manufacturer" means a person who operates a manufacturing facility and who, in accordance with census data contained in the Standard Industrial Classification Manual, United States Office of Management and Budget, 1987 Edition, is included in code classification 2000 to 3999, inclusive. The provisions of subsection (c) of section 12-41 to the contrary notwithstanding, any person who desires to claim the exemption provided in this subdivision shall file annually with the assessor or board of assessors in the municipality in which the machinery or equipment is located, on or before the first day of November, a list of such machinery or equipment together with written application claiming such exemption on a form prescribed by the secretary of the office of policy and management. In such substantiation of such claim, the claimant shall present to the assessor or board of assessors such supporting documentation as said secretary may require, including, but not limited to, invoices, bills of sale and bills of lading. Failure to file such application in this manner and form within the time limit prescribed shall constitute a waiver of the right to such exemption for such assessment year, unless an extension of time is allowed by the secretary of the office of policy and management as set forth in section 12-81k, and upon payment of the required fee for late filing. Any person claiming the exemption provided under this subdivision for machinery or equipment shall not be eligible to claim the exemption provided under subsection (60) of this section, as amended by section 19 of this act, for the same machinery or equipment. The state and the municipality and district shall hold a security interest, as defined in subdivision (37) of section 42a-1-201, in any machinery or equipment which is exempt from taxation pursuant to this subdivision, in am amount equal to the tax revenue reimbursed or lost, as the case may be, which shall be subordinate to any purchase money security interest, as defined in section 42a-9-107. Such security interest shall be enforceable against the claimant for a period of four years after the last assessment year in which such exemption was received in any case in which said manufacturing operations entirely out of this state."

In line 2030, delete "(71)" and insert "(72)" in lieu thereof

In line 2061, after the period insert the following:

"Municipality" as used therein means each town, city, borough, consolidated town and city and consolidated town and borough and each district, as defined in section 7-324 of the general statutes."

Delete section 30 and insert the following in lieu thereof:

"Sec. 30. (NEW) With respect to machinery or equipment exempt from property tax in accordance with subdivision (72) of section 12-81 of the general statutes, as amended by section 27 of this act, for purposes of the annual valuation required with respect to the determination of tax revenue loss required under section 28 of this act, the present true and actual value of such machinery or equipment shall be determined in relation to the cost of acquisition, including costs related to transportation and installation, and shall reflect depreciation in accordance with the following schedule:

Assessment Year Following Acquisition	Depreciated Value as Percentage of Acquisition Cost Basis
First	Ninety-five per cent
Second	Ninety per cent
Third	Eighty per cent
Fourth	Seventy per cent

Sec. 31. The secretary of the office of policy and management, in concert with the commissioner of economic development and the commissioner of revenue services, shall conduct a study of the fiscal ramification of, and the economic incentive provided by, section 18, 19 and 27 of this act and shall submit a report of their findings and recommendations to the governor and to the general assembly not later than December 31, 1994.

Sec. 32. Section 12-81k of the general statutes is repealed and the following is substituted in lieu thereof:

Whenever any person claiming the exemption from property tax under provisions of subdivisions (59), (60), [and] (70) AND (72) of section 12-81, AS AMENDED BY SECTIONS 18, 19, AND 27 OF THIS ACT, has failed to file a claim with the assessor or board of assessors as required in said subdivisions, the secretary of the office of policy and management, upon receipt of a written request from such person may allow an extension of time not exceeding thirty days within which such claim may be filed, provided whenever an extension of time is so allowed, such person shall pay a fee for late filing to the municipality in which the property, with respect to which such claim is submitted, is situated. A written request for an extension of the filing period must be received by the secretary of the office of policy and management within sixty days following the prescribed date by which the assessor or board of assessors must complete their duties, provided with respect to the assessment list for the assessment year commencing October 1, 1986, such written request for an extension of the filing period must be received by the secretary of the office of policy and management not later than the thirtieth day immediately following June 1, 1987. Said fee shall be calculated as follows: If the assessed value of the property with respect to which such claims is submitted is one hundred thousand dollars or less, said fee shall be fifty dollars; if the assessed value of the property with respect to which such claim is submitted is greater than one hundred thousand dollars but less than two hundred fifty thousand dollars, said fee shall be one hundred fifty dollars; if the assessed value of the property with respect to which such claim is submitted is equal to or greater than two hundred fifty thousand dollars but less than five hundred dollars, said fee shall be two hundred fifty dollars; if the assessed value of the property with respect to which such claims is submitted is equal to or greater than five hundred thousand dollars, said fee shall be five hundred dollars.

Sec. 33. (NEW) (a) For the purpose described in subsection (b) of this section, the state bond commission shall have the power, from time to time to authorize the issuance of bonds of the state in one or more series and in principal amounts not exceeding in the aggregate forty million dollars.

(b) The proceeds of the sale of said bonds, to the extent of the amount stated in subsection (a) of this section, shall be used by the department of economic development for the purpose of sections 1 to 15, inclusive, of this act.

(c) All provisions of section 3-20 of the general statutes, or the exercise of any right or power granted thereby which are not inconsistent with the provisions of this section are hereby adopted and shall apply to all bonds authorized by the state bond commission pursuant to this section, and temporary notes in anticipation of the money to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20 and from time to time renewed. Such bonds shall mature at such time or times not exceeding twenty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the state bond commission authorizing such bonds. None of said bonds shall be authorized except upon a finding by the state bond commission that there has been filed with it a request for such authorization, which is signed by or on behalf of the secretary of the office of policy and management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to this section shall be general obligations of the state and the full faith and credit of the state of Connecticut are pledged for the payment of the principal of and interest on said bonds as the same become due, and accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the treasurer shall pay such principal and interest as the same become due.

Sec. 34. Subdivision (21) of subsection (a) of section 29 of special act 88-77 is amended to read as follows:

(21) [study the feasibility of establishing a center for manufacturing sciences in Connecticut] PROVIDE TECHNICAL ASSISTANCE TO THE CONNECTICUT COMMISSION ON BUSINESS OPPORTUNITY, DEFENSE DIVERSIFICATION AND INDUSTRIAL POLICY, not exceeding one hundred dollars.

Sec. 35. This act shall take effect July 1, 1990, except that sections 28 to 31, inclusive, shall take effect January 1, 1991, and be applicable to assessment years commencing on or after October 1, 1991."

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DEPUTY SPEAKER POLINSKY:

Will you remark further on this bill? Will you remark further? Representative Maddox.

REP. MADDOX: (66th)

Thank you, Madam Speaker. The Clerk has an amendment, LCO4932. Would he please call and may I be allowed to summarize?

DEPUTY SPEAKER POLINSKY:

Will the clerk please call LCO4932, which shall be designated House Amendment "B".

CLERK:

LCO4932, House "B", offered by Representative Maddox, et al.

DEPUTY SPEAKER POLINSKY:

The gentleman has asked leave of the Chamber to summarize. Is there objection? Seeing no objection, please proceed Representative Maddox.

REP. MADDOX: (66th)

Thank you, Madam Speaker. This amendment would allow a municipality by vote of its legislative body, or in communities where legislative body is a town meeting, by vote of the board of selectman, and board of finance, to abate up to 50% of the property taxes on a dairy farm. It also would allow for the recapture provision, provided it doesn't exceed ten years, and it is not more than the original amount abated. I move adoption.

DEPUTY SPEAKER POLINSKY:

The motion is on adoption of House "B". Will you remark further, sir?

REP. MADDOX: (66th)

Yes, just briefly, Madam Speaker. During the interim, myself and several members of this General Assembly served on a Blue Ribbon Task Force to study what we could do to save the few remaining dairy farms, all 360 left in the state. This is one of the recommendations of the Task Force, and unfortunately, somewhere along the way during the process, the bill never quite made it to the end. That is the reason it is here now.

There are certain municipalities who are willing to quote, put their money where their mouth is and start to assist dairy farms if we wish to keep them in this state.

I would hope for the support of the entire Chamber on this.

REP. MCNALLY: (47th)

Madam Speaker?

DEPUTY SPEAKER POLINSKY:

Representative McNally.

REP. MCNALLY: (47th)

Madam Speaker, I consider this a friendly amendment. Particularly with Representative Mordasky's name on it. I would hope the membership would support it.

DEPUTY SPEAKER POLINSKY:

Will you remark further on House Amendment "B"? Will you remark further? If not, let's try your minds.

All those in favor, please indicate by saying, aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER POLINSKY:

Those opposed, nay? The ayes have it. The amendment is adopted. (Gavel)

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The following is House Amendment Schedule "B":

After line 2061, add the following and renumber the remaining section accordingly:
"Sec. 30. A municipality may, by vote of its legislative body or, in a municipality where the legislative body is a town meeting, by vote of the board of selectmen, and by vote of its board of finance, abate up to fifty per cent of the property taxes of any dairy farm. Such a municipality may also establish a recapture in the even of sale provided such recapture shall not exceed the original amount of taxes abated and may not go back further than then years."

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DEPUTY SPEAKER POLINSKY:

Will you remark further on this bill as amended by "A" and "B"? Representative Gambardella.

REP. GAMBARDELLA: (87th)

Madam Speaker, the Clerk has an amendment LCO5073. I ask that he please call and I be allowed to summarize?

DEPUTY SPEAKER POLINSKY:

Will the Clerk please call LCO5073, which shall be designated House Amendment "C".

CLERK:

LCO5073, House "C", offered by Representative Gambardella, et al.

DEPUTY SPEAKER POLINSKY:

Representative Gambardella, did you wish to summarize?

REP. GAMBARDELLA: (87th)

Yes, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

The gentleman has asked leave to summarize? Is there objection? Without objection, please proceed sir.

REP. GAMBARDELLA: (87th)

Thank you. The bill, the amendment as it is before the party essentially allows the assessor, actually requires the assessor to maintain an assessment on any properties which are polluted and which would otherwise normally be able to get a lessor assessment. If, in fact, the individual or company who owns that property causes the pollution, or if they bought the property with notice of the fact that the pollution existed.

I move adoption, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

The motion is on adoption of House Amendment "C". Will you remark further? Will you remark further? Representative Luppi.

REP. LUPPI: (88th)

Yes, thank you, Madam Speaker. I too, rise in support of this amendment. What we are trying to accomplish here is something very simple. We have a situation in North Haven where we have the Upjohn Company, who is planning to leave to Kalmazoo, Michigan. They are not necessarily abandoning the property, but they are leaving the property.

It has a contaminated, approximately 3 to 5 acres. Which has not only polluted the land, but also the Quinnipiac River. What we are trying to accomplish here is to restrict this company after moving from going to the assessor's office and ask for a reduction. They have created the problem, they should pay for it and they plan on doing it. It is just that we want to prevent them from going to the assessor's office and asking them for a reduced value. Thank you.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on this amendment? Representative Cibes.

REP. CIBES: (39th)

Thank you, Madam Speaker. This is a massive regraph of the bill which had significant problems. And I believe those problems have now been taken care of and I support this amendment.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on this amendment? Will you remark further? If not, let us try your minds.

All in favor please indicate by saying, aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER POLINSKY:

Opposed, nay. The ayes have it. The amendment is adopted. (Gavel)

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The following is House amendment Schedule "C":

Strike section 35 in its entirety and insert the following in lieu thereof:

"Sec. 35. (NEW) Notwithstanding the provisions of chapter 203 of the general statutes, when determining the value of any property, except residential property, for purpose of the assessment for property taxes, the assessors of a municipality shall not reduce the value of any property due to any polluted or environmentally hazardous condition existing on such property if such condition was caused by the owner of such property or if successor in title to such owner acquired such property after any notice of the existence of any such condition was filed on the land records in the town where the property is located. For purposes of this section, an owner shall be deemed to have caused the polluted or environmentally hazardous condition if the department of environmental protection, the United States Environmental Protection Agency or a court of competent jurisdiction has determined that such owner caused such condition or a portion of it.

Sec. 36. (NEW) Whenever the commissioner of environmental protection has filed a copy of an order to correct or abate a polluted or environmentally hazardous condition, or notice located, and such order has been fully complied with, the commissioner shall issue a certificate showing such compliance. The certificate shall be recorded on the land records in the town where the order was previously recorded.

Sec. 37. This act shall take effect from its passage and shall be applicable to assessment years of municipalities commencing on or after October 1, 1990, except that sections 1 to 27, inclusive, and sections 32 to 34, inclusive, shall take effect July 1, 1990, and sections 28 to 31, inclusive, shall take effect January 1, 1991, and shall be applicable to assessment years commencing on or after October 1, 1991."

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DEPUTY SPEAKER POLINSKY:

Will you remark further on this bill as amended? Representative Belden.

REP. BELDEN: (113th)

Thank you, Madam Speaker. The Clerk has an amendment LCO4336. Would the Clerk please call and read?

DEPUTY SPEAKER POLINSKY:

Will the Clerk please call LCO4336, which shall be designated House Amendment Schedule "D", and would he please read it.

CLERK:

LCO4336, House "D", offered by Representative Belden.

In line 935, after the word "development" insert the following: ", except that no land contiguous to any of the waters of the state may be sold, exchanged, leased or otherwise disposed of without the prior approval of the general assembly."

REP. BELDEN: (113th)

Madam Speaker, I move adoption.

DEPUTY SPEAKER POLINSKY:

The motion is on adoption of House "D". Would you remark further, sir?

REP. BELDEN: (113th)

Yes, Madam Speaker. The language in the file copy essentially starts on line 927. Gives great powers to take state owned land and give it up for economic development. I have very serious concern about taking waterfront property owned by the State of Connecticut and turning it into business and industry and that is the reason why the amendment is here.

It would just say that if you want to take waterfront property on the ocean or on a river, you would have to come back to the General Assembly for that approval. I don't think it does a lot of harm, and I think it gives us that last absolute protection against the disposal of state owned waterfront property, which is there for all the public to enjoy.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Would you remark further on this amendment? Representative McNally.

REP. MCNALLY: (47th)

Madam Speaker, I rise to reluctantly and somewhat mildly oppose the amendment. Representative Belden has gone to great lengths over the last several years to work towards an inventory of this kind of property in the state. And unfortunately this General Assembly hasn't supported those efforts. So we really aren't sure what the implications of this amendment are on our development plans.

Having said that and not knowing the implications, I would ask the membership to oppose the amendment. And I stand reluctantly saying that.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on this amendment? Will you remark further? Representative

Ward.

REP. WARD: (86th)

Madam Speaker, just briefly. Just because we don't know how much waterfront property we have, and nobody can tell us what all of it, is no good reason to say you ought to go ahead and convey it without coming back to the General Assembly. In fact, that is probably a better reason for adopting it. If we knew exactly what lands were there we could decide now whether we needed to restrict or not.

But if we really don't know what the inventory is, isn't it a better protection, isn't it safer to say, don't sell it until this body says go ahead? I think that is more protection for this Assembly. I hope it will be supported.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on House Amendment "D"? Will you remark further? If not, let us try your --

REP. YOUNG: (143rd)

Madam Speaker?

DEPUTY SPEAKER POLINSKY:

Representative Young.

REP. YOUNG: (143rd)

Madam Speaker, quickly speaking in support of this amendment, following up with Representative Ward said. Maybe with this kind of a stick hanging over our head, we would act a little more responsibly and find out what kind of waterfront property we have. I support it.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on this amendment? Representative Cibes.

REP. CIBES: (39th)

Thank you, Madam Speaker. I somewhat more strongly, I think, oppose this amendment. I understand where Representative Belden is coming from. I certainly don't want to lose waterfront property either. But I'm not certain that we ought to delay some kinds of arrangements that can be made, maybe to attract major employers, by forcing the General Assembly to act on something during the course of a year, things may happen and we, it just seems very difficult to bring the General Assembly back into session to deal with some particular plot of land. And so I would urge rejection. Somewhat reluctantly, although, as Representative McNally says.

DEPUTY SPEAKER POLINSKY:

Will you remark further on this amendment? Will you remark further? Let's try your minds.

All in favor of House "D", please indicate by saying, aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER POLINSKY:

Opposed, nay.

REPRESENTATIVES:

No.

DEPUTY SPEAKER POLINSKY:

I would order a roll call. Will all members please be seated. Guests and staff to the Well of the Chamber. The machine will be open.

CLERK:

The House of Representatives is voting by roll call, members to the Chamber please. Members to the Chamber please, the House is taking a roll call vote.

DEPUTY SPEAKER POLINSKY:

Have all members voted? Have all members voted and is your vote properly recorded? If all members have voted, the machine will be locked. The Clerk will take a tally. Clerk announce the tally.

CLERK:

House Amendment "D" to House Bill 6053.

Total Number Voting	144
Necessary for Passage	73
Those voting Yea	58
Those voting Nay	86
Those absent and not voting	7

DEPUTY SPEAKER POLINSKY:

The amendment fails. (Gavel) Will you remark further on this bill as amended? Will you remark further? Representative Norton.

REP. NORTON: (48th)

Madam Speaker, I guess I would just like to speak to I guess, Representative Cibes and McNally. And say that in reading the section that was just, we hoped would have been amended. Section 9 of the bill speaks about the conveyance of land and really for at least a diminished rate of purposes, the Department of Environmental Protection involved in that section, OPM and Property Reviews Board and Public Works. I guess I would like to say that while, I guess you are not at this point going to amend the bill. I guess I would like to see some encouragement on your sides part to the state to please take in the DEP's concerns. Because you know, we might be exchanging some lands that haven't been inventoried yet. Haven't been studied yet for environmental uses. And I can see that you don't want to amend it now, but please do involve the DEP in this process. Section 9. And that is really all I want to say.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on this bill as amended? Will you remark further? Representative Belden.

REP. BELDEN: (113th)

Thank you, Madam Speaker. It's too bad that that last proposal didn't pass, because I will tell you what. That language was in the statutes, and a couple of years ago for some reason it disappeared. I know, because I was a part of putting it in there when I first came up here. Because there were some scandals and there was state owned land on waterfronts that was going off to private parties. And a couple of years ago that language which was in the statutes, for some reason disappeared.

And the state owns a lot of land, and you know, I'll tell you what, if it happens to be owned by the DOT, you can send them a letter. And you could say, gee whiz, is this land surplus? Oh, I'm not going to build a highway here. Well, let's get it appraised and I will sell it to you. Let me tell you, if it is 500 foot frontage on the Connecticut River, its a pretty nice piece of property. And once its gone it is never there again for the public use.

Now, the world is not going to end on that. I will try that next year if I'm here as a proposal. I do have great problems understanding the file before us though. I guess we are targetting here. I just don't know exactly what we are doing, because on one hand we are taxing these very same entities to the hilt. And on the other hand we say, after we process your taxes and do all kinds of things with it, guess what? We are going to bond some money and we are going to give it back to you.

I don't quite understand where all this takes us. Except, we pay more interest and we add more administrative costs to the people of the State of Connecticut to handle all of this stuff.

I'm going to vote for it, because it does target certain areas. But I think we've gotten ourselves pretty well turned around in what we are doing. Instead of just looking at the problem, granting relief, we are going to tax, administrate and give away more. Maybe that's the way to jack up the economy. I don't know. But it is on the taxpayers backs.

DEPUTY SPEAKER POLINSKY:

Will you remark further on this bill? Will you remark further? Representative Jones.

REP. JONES: (141st)

I just want to say a word. I share Representative Belden's concerns. I think we don't understand how to really do economic development. Economic development is done by the private sector. It is done when business men make decisions based on a cost of capital of prospective return. They look at the tax policy in the state. They look at the way the state looks at business. They look at labor policies. They look at legislative policy. They look at other constraints. Now, I suppose we will all vote for this bill, because we are trying to give somebody something. But I'm telling you, this is not the best approach to economic development. And I think we got to think about forming all these commissions to study how to give a few bucks away to businessmen, who if they had a good opportunity would do it themselves.

DEPUTY SPEAKER POLINSKY:

Will you remark further on this bill? Will you remark further? Representative Cibes.

REP. CIBES: (39th)

Madam Speaker, just very briefly. The bill as amended, I think, addresses one of the main problems that business and especially manufacturing has confronted in recent years in this state. Last summer and during the course of the fall Price Waterhouse has done a study for CBIA which we have been made aware of on the Task Force on Revenue in the state. Particularly dealing with corporation and business taxes. Price Waterhouse found that one of the major disincentives for business to expand or to locate into Connecticut in the first place, was the impact of the personal property tax on manufacturing equipment.

The bill as amended addresses that problem head on and eliminates taxes on personal property, on manufacturing equipment for a period of four years after it is purchased. I think that addresses a major problem that Connecticut manufacturing and research and development has faced in this state. And in that respect I think it is more than just window dressing. Thank you, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further?

REP. MCNALLY: (47th)

Madam Speaker?

DEPUTY SPEAKER POLINSKY:

Representative McNally.

REP. MCNALLY: (47th)

Just one more plug for the bill and for Bill Cibes. Representative Cibes really is the architect of this property tax relief. And whether it is enough to turn Connecticut's economy around all or in part, that is left to be, for future discussion. But if it wasn't for Representative Cibes leadership in the Finance Committee and elsewhere in this issue, this major improvement in our manufacturing climate, this major incentive would not be before us tonight. So I wish to provide my public applause for his leadership on this issue.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on this bill? Will you remark further? Representative Rogg.

REP. ROGG: (67th)

Madam Speaker, just one short comment. Mr. Cibes's explanation of the property tax relief is probably the one white spot in our activities during this session here in Hartford. I think manufacturing has taken its lumps. This one has probably given back a little bit of what we have taken about truck loads on the other side. Thank you, I will support the bill for that reason.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on this bill as amended? Will you remark further? Representative Emmons.

REP. EMMONS: (101st)

Thank you, Madam Speaker. I had one question to Representative Cibes. On the property tax payments, is the schedule in here that was in one of the bills that was before us there was a predetermined schedule of how the property should be assessed, 95, 85% of cost. Is that provision in this substitute, in LCO5255?

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker the language to which Representative Emmons is referring begins on line 468. What this language does is provide that there will be a fixed schedule of depreciation as set out on lines 479 through 484 applicable to machinery and equipment which is exempt from property tax in accordance with this bill. It does not apply to other equipment which is not subject to this bill.

DEPUTY SPEAKER POLINSKY:

Representative Emmons.

REP. EMMONS: (101st)

Just one comment about that. This aspect of it is doing a percentage at a higher value than would normally be done by an assessor. So in essence, what we are doing is increasing the pilot payments and cost to the state by using this formula rather than using a formula that would be more like what an assessor would use.

DEPUTY SPEAKER POLINSKY:

Thank you.

REP. CIBES: (39th)

Through you, Madam Speaker?

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Just a quick response to that. At least some municipalities in the state already use this fixed schedule of depreciation at this level. So it is in line with what those communities use already.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on this bill as amended? Will you remark further? If not, will all members please take their seats. Staff and guests to the Well of the House, the machine will be open.

CLERK:

The House of Representatives is voting by roll call, please report to the Chamber. The House of

Representatives is taking a roll call vote, members to the Chamber please.

SPEAKER BALDUCCI:

Have all the members voted and is your voted properly recorded? If so, the machine will be locked. Clerk take a tally. Clerk please announce the tally.

CLERK:

House Bill 6053, as amended by House Amendments "A", "B" and "C".

Total number Voting	145
Necessary for Passage	73
Those voting Yea	145
Those voting Nay	0
Those absent and not voting	6

SPEAKER BALDUCCI:

The bill as amended is passed. (Gavel)

CLERK:

Page 10, Calendar 584, bottom of the page, Substitute for Senate Bill 125, AN ACT CONCERNING REIMBURSEMENT OF FARM RESOURCES MANAGEMENT PLAN COSTS, SHELTER FOR HORSES, PSITTACOSIS AND THE APPLE MARKETING PROGRAM. (As amended by Senate Amendment Schedule "A", "B", and "C").

Favorable Report of the Committee on ENVIRONMENT.

SPEAKER BALDUCCI:

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DEVELOPMENT
PART 3
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line. I would like to also go on the record as endorsing SB369, HB5806, HB5842, HB5895, HB5967, and HB6053 which all impinge directly on manufacturing, and also HB5841.

Actually as I look at this agenda it's an excellent one. We haven't left too much out. Thank you very much.

SEN. BARROWS: Thank you any questions from our committee? Is there any bills you left off? Did you get all of them? Want to add any more?

SEN. SULLIVAN: I don't think so Senator.

SEN.BARROWS: O.K. thank you Senator. Senator O'Leary present? Senator O'Leary. Next speaker is Representative Gordes.

REP.GORDES: Senator Barrows, Representative McNally, committee members my name is Joel Gordes I'm from the 62nd District and I'd like to speak in support of HB5806 AN ACT CONCERNING TAX CREDITS FOR STUDIES FOR DEFENSE CONVERSION ACTIVITIES. Being realistic about things, President Bush is in the situation where we have a very large deficit which needs to be reduced and President Gorbechov is in the situation where he is history unless he starts putting food on the table. The one part of each economy that has, shall we say, some fat or some slack in it is the defense sector. Unfortunately we here in Connecticut are very dependent upon that sector and already we've seen in the newspapers the talk of lay-offs if not actual lay-offs in that sector.

The bill before you is an attempt to try to keep American people and people in Connecticut working it simply calls for tax credits for businesses heavily dependent on defense work. To aid them specifically in the studies needed for them to convert to civilian activities. The bill before you is just the frame work it can be molded in many different directions. In fact I would note that it could be very easily blended even more into HB6053 and I have noted that that bill does have sections on it having to do with the diversification and feasibility studies for defense conversion.

SEN. BARROWS: Could I intervene for a second. We only have an hour for legislators and --.

REP. SCHMIDLE: I understand.

SEN. BARROWS: And if you want to, you could talk after because we see each other every day and I'd like to get everybody on here as soon as we can.

REP. SCHMIDLE: Thank you. I really appreciate that. If I just might finish my statement to Representative Gill. Representative Gill, I think the point here is that these local -- that the Siting Council will be adopting a point system at which point in time they don't know what facility is going to come up for location in which community so there's no way they can have a vested interest because they don't know what the requests are going to be. Thank you, Mr. Chairman.

SEN. BARROWS: Thank you very much.

REP. SCHMIDLE: I appreciate the time. Sorry I ran over.

SEN. BARROWS: The next two speaker will be Commissioner Heintz and Deputy Commissioner Brecker.

COMM. STEPHEN HEINTZ: Good afternoon, Senator Barrows, Representative McNally, other Members of the Committee, Commissioner Meehan and I are here together to testify on behalf of HB6053, the Economic Development and Manufacturing Assistance Act of 1990 and I think it's uncommon, if not historic, that the Tax Commissioner and the Economic Development Commissioner appear together in support of the same legislation and I'm delighted to have my colleague at my side at this hearing.

I do have copies of my testimony which can be distributed for your reference, and as it is rather long, this is, as you know, a fairly long and complex piece of legislation. What I will try to do in the interest of time is just to highlight certain features of the bill and throughout the testimony and then ask Commissioner Meehan to make some comments as well and then together we would be happy to answer any questions or respond to any comments that you all might have.

I'd like to start by suggesting that you consider this piece of legislation in the context of an overall economic development strategy for the 1990s which you all have been working on with Governor O'Neill and with the Department of Economic Development and the Executive Branch over the past several years.

Keep in mind that in 1988, with the leadership of the Governor and the support of this General Assembly, we re-examined the state's financing programs for small businesses and passed the Financial Capital Act of 1988, consolidating some 11 separate, narrowly-defined, categorical loan programs into two more comprehensive, more flexible loan sources so that small businesses in Connecticut can have access to the kind of capital they need to grow and expand in our state.

In 1989 the second step of this five-step economic development strategy was the passage of the Innovation Capital Act which created Connecticut Innovations, Inc., an organization in Connecticut now to serve the needs of entrepreneurs and to support technology-based economic development in the state.

The act you have before you today is the third step. The fourth step has to do with our ongoing efforts at the Department of Economic Development and with other agencies to expand Connecticut's export capacity and to promote Connecticut exports throughout the world recognizing, of course, that in the 1990s, all of Connecticut's businesses will be inextricably linked in a much more global, much more competitive economy.

And the fifth step of the Governor's economic development strategy for the 1990s is in fact the work of the Connecticut Employment and Training Commission, which is at this time, engaged in the process of re-examining and restructuring the entire range of Connecticut's programs of education and training for employment.

These five areas together represent a major step toward meeting what I think are going to be the significant economic development challenges of the 1990s in Connecticut.

I think that what we've suggested is that while we have successfully emerged from the 1980s, the challenges of the 1990s in fact are going to be quite different. The fact that we did achieve the highest per capita income in the nation during the 1980s and we have kept our unemployment rate among the lowest, we also created a quarter of a million new jobs, but maintaining that momentum is going to require a revitalized and renewed commitment to the economic development tool so essential to the health and well-being of our state's economy.

The act you have before you, the Economic Development and Manufacturing Assistance Act, is a product of a yearlong reexamination at the Department of Economic Development of our state's basic real estate and financial incentives programs. Originally developed in the 1970s, the state's existing incentive programs responded to the economic aftershocks of that era, an energy crisis, inflationary interest rates, high unemployment and global industrial restructuring, but the challenges facing Connecticut in 1990s cannot be addressed entirely by these time worn approaches.

Just as many Connecticut businesses are retooling for the 1990s, the state must retool its basic economic development instruments as well. The programs currently at are our command, while effective in past times, have in fact grown anachronistic with the passage of time.

The six narrowly constructed, categorically focused programs that are currently the core of the Department of Economic Development Assistance Programs are primarily reactive, responsing broadly to the symptoms presented by a municipality or business. These programs do not provide the flexibility necessary to adapt to the particular needs of a particular community nor do they allow for customized and comprehensive assistance to individual businesses.

Many of the challenges we will face in this decade are the byproducts of the economic prosperity we achieved in the 1980s. While Connecticut's legacy from that decade is indeed one to be proud of, this economic prosperity also placed enormous pressures on the state's land resources, labor pool availability and quality of life and these pressures helped to shape the economic development that we operate in today.

The increasing scarcity of strategically located land for manufacturing and other economic base industries, coupled with the aging of the state's existing building stock are among the challenges facing Connecticut in the 1990s. The intense statewide growth of the 1980s continues to bypass those older urban centers in greatest need of economic growth.

These economically disadvantaged communities will, if left unattended, continue to experience a decline in their tax base. In the same vein, our current economic development programs are not responsive to threatened plant closings, relocations and defense contract cutbacks. No longer do companies have the luxury of operating in a business as usual climate. The full spectrum of business support issues, such as day care, job training and retraining, education, transportation, employee housing, energy conservation, pollution control and recycling, this spectrum that has become increasingly important to Connecticut businesses must also in turn become important to state economic development policy if we are in fact to maintain our competitive edge.

SEN. BARROWS: Commissioner. Commissioner.

COMM. STEPHEN HEINTZ: Sir.

SEN. BARROWS: Are you using up Commissioner Meehan's time too or --?

COMM. STEPHEN HEINTZ: I certainly hope not.

SEN. BARROWS: Well, you're definitely on his time.

COMM. STEPHEN HEINTZ: Okay, let me try to quickly summarize.

SEN. BARROWS: Summarize it and if the committee would like to get to you, you know, on their own, they could do that, and I also have to restrict you as well since I restrict my colleagues in the House.

COMM. STEPHEN HEINTZ: Very well. Let me suggest then what I think the major points of the bill are and then we can turn to Commissioner Meehan.

Essentially, what we are doing is taking the six programs that have grown outdated, consolidating them into one much more comprehensive program and allowing the department to work in a way that allows for development to occur not only in the most economically distressed parts of our state, but allows us to judge the quality of an economic development project on the basis of the quality of the project, so that if a good project is occurring anywhere in the state that needs some assistance from the state in order to make it happen or if a company is experiencing defense cutbacks or is threatened with a relocation, we can step in and provide assistance.

The second major change is that rather than primarily a program of subsidizing economic development, we are talking about a program created here that will invest in economic development by allowing us to more frequently use other financial instruments such as loans, loan guarantees, lines of credits, etc., as opposed to the programs we have today which are primarily tax abatements and other grants in which the state does not in fact receive a direct return on the investment.

The second part of the bill and the part that Commissioner Meehan will speak about is in fact the investment tax credit for manufacturers that the Governor has proposed at 5% on new and used machinery and equipment to be put into service in Connecticut's manufacturing companies. We believe that that 5% tax credit is an important stimulation to economic activity in the state and will provide necessary support for Connecticut's manufacturers.

In conclusion, a question being asked rhetorically by Connecticut Business and Industry Association and as well as by many others is can Connecticut's economy compete effectively in the 1990s? I think that when you have a chance to really examine this bill, consider it in the context of the four other steps in the Governor's economic development strategy for the 1990s, that the answer will be yes, that we will be putting in place the tools that are necessary. We will have the mandate of the General Assembly, we will have an effective partnership between municipalities, the private sector and the state and we can get to work on helping to extend Connecticut's economic momentum into the 1990s. Thank you very much.

SEN. BARROWS: Should you just say yes.

COMM. JAMES MEEHAN: Commissioner Heintz didn't know I was from Hartford, so you're looking out for my interest here. Again, I also am pleased to be here today. We have had many discussions with Economic Development about many of our tax policies and how we enforce the statutes and many times it's in a contentious environment that we discuss these issues, but today we're joining together in support the of the manufacturing tax credit as proposed by the Governor.

Just quickly, to give you a few highlights of the proposal, it is a 5% credit which can be taken beginning in January 1, 1991 for the tax payments to begin in Fiscal Year 1992. It applies to all manufacturers who have a standard industrial classification between 2000 and 3999, which includes most manufacturers, what we would consider normally to be a manufacturer.

The credit is 5% for any property which installed, equipment or machinery here in the state. It has been defined as five- and seven-year property in accordance with the Internal Revenue Service Code which would exclude some of your short live properties, but include many of your long life properties, including some of your computer equipment.

The excess credit which is not used in one year because there is a cap on how much you can take in a given, you can take no more than 50% of your outstanding corporate tax liability, so there's a cap on that, but you can carry it forward on an unlimited basis. It would be effective January 1, 1991 and it could be applied to your first and second estimated -- it could not be applied to your first and second estimated payments, so it would not have a fiscal impact during this fiscal year which you are currently struggling with.

In the event that a manufacturer did move out of the state, there is a recapture provision which would, again, we think, protect the intent of the act which is to spur on investment in Connecticut for Connecticut jobs. To the extent that a manufacturer brought a piece of equipment and claimed the credit, moved out of state, they would owe us the balance for the life of the property during that period in time.

Again, what this bill tries to recognize is the fact that manufacturers are an important aspect of our state economy. They employ over 370,000 people. All of you have heard this year many of the issues raised by the manufacturers and this is a direct response to those concerns and I can just tell you how I totally, as tax commissioner going around the state, particularly business groups, the one question people ask us is what incentives are there in the State of Connecticut to expand operations and many people look at investment tax credits and say the federal, seeing they got rid of investment tax credits, but frankly, this is one tool that we can use here in Connecticut to provide some incentives and for those who look to other states, and there's been some debate about how effective they've been in Rhode Island and New York, the one thing you have to know is that when the Rhode Island Economic Development Commission goes out and the New York State people go out, one thing they do sell to their existing manufacturers where this is really targeted, is the fact that the credit is there.

So this will reduce the tax burden of the manufacturers during the coming years. That's the whole purpose of it. Its effectiveness, I think, will be judged as we move along through each fiscal year. We do have a requirement under state statute to evaluate these programs on an annual basis and report to you what the effects of the credit will be and we'll comply with that obligation. So we do think that there's oversight placed in there. There's sufficient checks that this is not going to be, I think, a problem going down into the future, but it also will take care of what is becoming a greater concern to the state is to whether we're going to continue to retain our manufacturing base in the state and now when we do go out, we have something to say to manufacturers that Connecticut does care about manufacturing and is really putting its money where its mouth is. I'm available for any questions if you have anything on that.

SEN. BARROWS: Thank you. Any questions from the committee? I know there's questions. I know. Representative McNally. Representative Maddox.

REP. MADDOX: I guess just a simple question on the overall proposal. I don't think it's a mystery to anyone in this room or in business why the business community, and especially the manufacturing community, is having difficulty in the State of Connecticut, high property taxes and the high cost of doing business here.

I guess a question to you of something that might be a little more simpler as opposed to new programs, why don't we just reduce the corporation tax for targeted industries, i.e., manufacturers or others? I mean we have the highest corporate income tax rate in the nation and I sort of would like your response to that.

COMM. JAMES MEEHAN: Actually, I think that is a good question and some will argue that you get a better economic bang out of your buck by an overall reduction of certain rates, but again, the purpose of this is to spur on investments, to reward people who are expanding operations, who are continuing to invest in the state.

By merely cutting the tax burden, all you're do in effect is reduce the tax burden for some and you effectively have some who are not willing to invest in the state receive the benefit of it, so the purpose is it's a selected tax policy designed to encourage investment, and again, from investment, the concept behind investment tax credits has been that you spur on additional investment and additional purchases and you get tax revenue from that.

A mere tax cut, again, of the magnitude that you probably could fund on a program like this would probably not be sufficient to do the types of -- and send the types of economic signals you want to send.

COMM. STEPHEN HEINTZ: The second point that I would just add to that is that we're talking about investments in the future productivity of the state's manufacturing base and that's a particularly important element of this. We're not -- we're not simply creating tax relief. We are in fact targetting that tax relief in order to help encourage future economic growth through investment and productivity increasing machinery and equipment. I think that's a very important part of the proposal.

SEN. BARROWS: Representative Jones.

REP. JONES: Thank you, Mr. Chairman. I have a couple of questions. With respect to the machinery and equipment definitions, do you envision including computer software which is often used to run machines or tools or plan and schedule manufacturing activities, improve productivity, or is this simply tangible pieces of equipment?

COMM. JAMES MEEHAN: It's an interesting area. I don't believe that software would qualify because it's not five- or seven-year life property. So it would not qualify, but computer equipment, most computer equipment would qualify under those lives. You have to look at the IRS classification under the lives and I'll be have to sit down, Representative Jones, I know you have an interest in accounting in this area.

REP. JONES: So that would probably include operating systems which are integral to the equipment, but not application programs that would improve the productivity of the manufacturing process itself?

COMM. JAMES MEEHAN: That's correct. This is much broader than the way we currently interpret the taxation of the sales tax of machinery equipment. Currently, if the machinery and equipment does interact with the product itself, it's not subject to the sales tax exemption. We wrote this in a manner that was much broader than that, would include the types of computer equipment which ordinarily is subject to a sales tax if there's a sale.

REP. JONES: Do you have any projections or ideas as to what the total amount of credit or loss revenue would be in the Fiscal Year 1992 if this were enacted?

COMM. JAMES MEEHAN: The estimate currently is approximately $50 million in 1992 which is the largest year that you'll have the greatest loss of revenue because of bunching in effect the end of year or at least the end of year 1991 fiscal year into the 1992 fiscal year. It would decline from that point. It really depends on how strong the economy is at that time, but there is a report that will be coming out this week from the Pete Marwick group which is advising the state task force on taxation which does an estimate which it does corroborate those number that we generated back in February when it was first developed.

So it runs in the $50 million ballpark and that's basically based upon purchases of around $1.2 billion worth of capital equipment purchases in the state and making some assumptions as to how many people will use the credit because you have to remember not all manufacturers even pay income taxes in the State of Connecticut because they're not generating income. Only about half of the manufacturing taxpayers actually even pay anything more than the minimum tax and then you have to take some assumption as to which ones will make use of the credit, but again, the best estimate we have, and I think it's been corroborated by OFA, is around $50 million.

REP. JONES: Thank you.

SEN. BARROWS: Representative Langlois.

REP. LANGLOIS: Yes, this question is directed to Commissioner Heintz. Could you outline a typical project coming in under this act and how you would see it shaping up and would there be relationships with CDA and with CII and one of the criticisms we've had in the matrix of a quasi-public and public agency in the case of housing is that there's been conflicting regulations for an applicant to go through.

Does this bill make that situation worse or do you find the situation in DED to be a good relationship between DED and CDA and CII?

COMM. STEPHEN HEINTZ: First, let me answer the broader part of your question. Our sense is that our future, at least in the short term, in the next five to ten years, really needs to be focused primarily on helping Connecticut's existing economic base to expand, as opposed to putting a great deal of emphasis on trying to recruit new business into the state.

We will continue to do both, but the point I'm making is that this bill helps us focus our energies on helping Connecticut's existing base to survive the competitive environment and hopefully to expand. So that the typical project that we see coming to us is a company in the state or a community in the state that is working with an industry in their community, that is facing economic challenge, but yet thinks that they have a strategic business plan that can lead to economic growth in the future, may have a concern about expanding the site that they're on, may have a need in job training, may have a need for working capital, might want to purchase new equipment and machinery, could be a variety of different kinds of needs, might be facing the need to consider converting its product line from primarily defense-related sales to commercial sales and what we would do then is to sit down and try to get on a sort of intensive basis, get to know that company and get to know the community in which it's operating and try to analyze each component of their major difficulties or their interests in growth and they tailor make a program that fits as close as we can, the most economically efficient way of helping them attain their goals.

Now in terms of the relationship between this program at the department and the programs in the two quasi-public CII and CDA, we see this as really working very much in concert with CDA and CII in a very mutually supportive and efficient fashion, and in fact, we had staff from both CII and CDA working with us in the development of this bill, so that we would be working in a way that would say as we get a client coming in the door that we're working with, if it becomes a client who could benefit from a loan from CDA for a major building of plant or expansion of plant, we would then be bringing CDA right into the picture and developing sort of a case management approach to helping that business.

The same is true if it were an entrepreneur or a new technology start-up kind of company. We might provide some help through here, but we would also help them at CII to look at product development loans and working capital for new product marketing.

So we see this as the glue, if you will, that will hold all of those pieces together quite nicely.

REP. LANGLOIS: And would the forms or the business plans that are required to be filed with all three agencies, would you have consistent requirements among all three agencies?

COMM. STEPHEN HEINTZ: We are certainly working toward that and one of things you'll find as you read through this bill is we have attempted to simplify the paperwork, reduce the bureaucracy associated with many of these grants and loans and to try to make them much more consistent across the programs.

REP. LANGLOIS: Okay, and just one final question. If you're from a district like mine which has three towns in it which fall under the Urban Jobs

Program, how do you defend removing that program and replacing it and it just seems to expand Enterprise Zones to really the full communities that they represent or at least in some instances, so it seems to move resources from some of the smaller towns which have benefitted from the Urban Jobs Program to bigger cities which may have Enterprise Zones.

If you were me, how would you defend voting for this?

COMM. STEPHEN HEINTZ: Let me try to explain. It gets a bit complex. What we're really saying is that we want to focus a sort of hierarchy of state assistance. The most intensive and sort of extraordinary level of assistance can be provided in the Enterprise Zones because they are in fact census tracks that exhibit characteristics of the greatest economic distress and the Enterprise Zone Program we are maintaining it exactly as it exists essentially.

We're then saying in the hierarchy that the cities in which the Enterprise Zones fall because they do have those neighborhoods and others that are almost as economically disadvantaged are the second sort of level of assistance that we can provide and there are a variety of options in the bill that indicate the level of assistance we can provide and what we're calling targeted investment communities.

In the rest of the state, even those communities who used to be in the Urban Jobs Program and who no longer would after the program phases out under this bill, the nice part about this bill, and I think one of its most important features, is that it gives us the authority to do good projects in any of those communities and finance them at levels that would exceed even what we're able to do today and so my answer to a community in your district that might be concerned about losing its urban jobs eligibility is that if they come to the department with a good quality project that's going to produce good jobs and really be part of Connecticut's economic future, we can say yes to them and do more for them than we can today even though they're Urban Jobs eligible.

REP. LANGLOIS: Okay, thank you. Alice.

REP. MEYER: Commissioner, as you know, I am very supportive of this bill, but I have one problem and I'm not going to ask you to answer it now, but would you get some rationale before we have to vote on this and that is lines 60, 61, 62 where financial assistance shall not exceed 50%, but you go to 100% of the project's cost in targeted communities. I have problems with going to 100%. I realize there probably should be more. If you could get me some explanation of that or some rationale, I would appreciate it.

COMM. STEPHEN HEINTZ: We'd be happy to and just 30 seconds of comments, if I might. This, again, was in order to try to establish this notion of a hierarchy and to say that, you know, if you're talking about Downtown Hartford or Downtown Bridgeport or Downtown New Haven, we understand that it is economically very difficult to get a manufacturer to move into Hartford and to cope with the economic conditions in that city and so what we're saying is we want to be able to provide an extraordinary level of support to help that happen to revitalize those severely impacted communities and that's the notion we're working on and we'd be happy to share some additional information with you about it and discuss it with you further.

REP. MEYER: Thank you.

REP. MCNALLY: Are there any other questions from committee members? Representative Jones.

REP. JONES: Commissioner Heintz, do you have any estimate of how much money you foresee going into this program in Fiscal Year 1992?

COMM. STEPHEN HEINTZ: In Fiscal Year 1992 what we're proposing and what the legislation seeks to accomplish, Representative, is no additional funds other than those funds that would normally would have been authorized for the existing programs, so that we're taking the authorizations for the Industrial Parks Program, the Urban Jobs Program, the Infrastructure Development, Economic Assistance Program and others and saying the level provided for in the Governor's budget or whatever level you all ultimately authorize is the level that would be consolidated into the Economic Assistance Revolving Fund.

And then as we come back for the 1992 year, we would like to demonstrate to you some success that we've had with the fund and with the program and as our experience grows and as we see more clients that we can serve, certainly we'd be looking to expand the fund, but the key is to give us greater flexibility with the existing funds so that we can do more with what we've got as opposed to coming to you and asking you for significant additional resources at a time when we know the state's financial condition does not permit it.

REP. JONES: Since I'm trying to get some measure of the incentives for capital formation here, refresh my memory, what is the existing level roughly of what we have available now?

COMM. STEPHEN HEINTZ: I think if you were to combine the -- all of the fund balances that exist, you would probably be in the $40 million range, $28 million and then with the increases that are included in the Governor's budget, we would see a net increase of about, I think it was $13 or 14 million, $10 million.

REP. JONES: So we have roughly $40 million incentive here and here $50 million in tax credits as the capital formation program of the state. Is that fair?

COMM. STEPHEN HEINTZ: I think that's a fair way to look at it.

REP. JONES: Thank you.

REP. MCNALLY: Are there any other questions from committee members? If not, thank you very much.

COMM. STEPHEN HEINTZ: Thank you all. We appreciate it.

REP. MCNALLY: Our next and final speaker for the legislator and state agency section is Representative Jessie Stratton.

In addition, small business people have a much more difficult time leaving their businesses to attend regular meetings of such a commission more so than large businesses who have multiple staff. To ensure the representation of small business, we would ask that you add to line 25, "The state director of NFIB or his designee." In other words, add our organization the same as you have added the large business organization in the state.

And as I listened to the legislative agency portion of this public hearing, the trend to merge bills, please don't let small businesses, manufacturing, others, get lost in this shuffle. Thank you, sir.

SEN. BARROWS: Any questions from the committee? No questions. Thank you. The next speaker will be Al Patricas.

AL PATRICAS: To save everybody's time, we are going to make a joint appearance.

JOE ERCOLANO: Good afternoon, Senator Barrows, Representative McNally, Members of the Committee, my name is Joe Ercolano. I'm Vice President for SASHA, the Southwestern Area Commerce and Industry Association. This is Al Patricas. I think he can introduce himself. He wears many hats.

I'll just go first with a couple of introductory HB6053
remarks. Two years ago SACIA did a survey of over HB5995
3 manu ac urers n Fa r e County out o a ase
of about 1,800 companies, manufacturing companies in the country, and we were kind of alarmed, I think, as anyone would be to find out that fully one-third of those companies surveyed were considering seriously to leave the country.

We also found out from that survey that 20% had already move manufacturing operations out of the county and of those 20%, eight out of ten left the state entirely. They were not going to other parts of the state.

The survey, and later again with some focus groups with manufacturers in Stamford and Bridgeport, clearly identified that there are three cost areas that are driving manufacturers to reconsider their investment in Connecticut and those cost areas are labor, taxes, particularly local property taxes and state corporate taxes and the cost of energy.

Governor O'Neill's bill, the Economic Adjustment Act, HB6053, does a lot and is a great step in the right direction towards leveling the playing field between Connecticut and other states that are competing for our manufacturing base.

SACIA believes that the 5% tax credit for new machinery and equipment is vitally important and necessary. We would add to that and speak in support of HB5895, the bill which provides tax credits for research and development and remedial training and education as well as new machinery and equipment. We believe it's important to lower the costs associated with those two areas as well as investing in new machinery and equipment and we think HB5895 should be supported and added to the program that Commissioner Heintz outlined before as the state's response, if you will, to the new competition that is threatening the Connecticut's manufacturing base.

Just to comment on HB5895 in detail, there is, of course, a lot of questions that could be raised about the notion of providing tax credits for training and education. It hasn't been done before. We feel that there are a lot of unanswered questions at this time, and we know it's difficult to put numbers together, on just how much companies are spending on their own training and education. We believe that the tax credit idea should be tried as a pilot program and we would suggest that if it's helpful in that sense to crawl before we jump into this thing that a pilot program be enacted soon so test how effective a tax credit for training and education done by employers can be before the state embark on a full-fledged program, but we do feel that it must be tried soon if we are to take advantage of an opportunity to move this idea along.

I'm going to end my comments right now and just let Al Patricas make a few comments from his perspective.

AL PATRICAS: From my perspective, obviously, we're supporting all the bills and my name is Al Patricas. I'm President of Vito Corporation in Bethel. I'm also the Co-Chair of the state legislator's Manufacturing Task Force.

The purpose of all the bills that we're discussing today is actually a very simple one and it is to create a positive business climate which is really essential to maintain business and provide an incentive for new investment.

Presently, as well all know, connecticut penalizes investment in capital equipment --.

SEN. BARROWS: Excuse me, would someone turn the light back on over there. Someone laid on the light. Is it back on? Okay. Okay, the ghost did it. Okay.

AL PATRICAS: Thank you. At the present time, instead of providing incentives, the State of Connecticut, unfortunately penalizes investment in new plants and equipment by heavily taxing any investment which has been made and consequently we all know that Connecticut, compared to other states, is next to last in new investment.

Manufacturers in Connecticut, are in effect, facing a triple whammy, high wages, high costs and high taxes and the purpose of these bills is to provide relief. I just returned last night from Europe and we had many discussions. European companies, as we all know, pay extremely high wages. They pay very high taxes, higher than we are, and yet they're able to compete. Why? Because the government, be it state or local, supports them. They support them by providing incentives, by providing grants, by providing support and that is the thing that we're asking for and envision these bills doing, providing a positive business climate and providing support.

There isn't a single company that would bet wealthy, rich or prosperous by any of these tax credits or tax incentives, but they would provide the signal that the State of Connecticut is interested in fostering a positive climate. Thank you.

SEN. BARROWS: Thank you. Any questions from the committee? No questions. Thank you very much. The next speaker will be Joe Ercolano. Okay. The next person is Bertra McGann.

BERTRA MCGANN: Betra McGann.

SEN. BARROWS: I'm terrible on names. I crucify people's names. You'll have to forgive me.

BERTRA MCGANN: Mr Chairman, members of the panel. On behalf of Pitney Bowes and 7500 employees here in the State of Connecticut. We are pleased to have the opportunity to address this committee, and to again express the concerns of Pitney Bowes, regarding the need for a manufacturing policy to be established here in Connecticut.

We are aware that the Committee is entertaining several proposals today. That alone is an encouraging sign that the state has, indeed, awakened to the need to address the concerns of manufacturers in Connecticut.

Pitney Bowes intends to be involved in every effort to accommodate the needs of manufacturers, with any economic authorities of the state. In particular, we are pleased to see proposals which seek to provide the stimulus for new investment in areas that are critical to manufacturing growth.

We are particularly pleased by the introduction of HB5895. We believe that this bill targets the three most important--

(cass 2) (cassette 1 and 2 do not connect, small gap) It needs to simultaneously address with regard to manufacturing's future. Those three areas are research and development, investment in new plans and equipment and worker education and retraining. Each of these, Mr. Chairman, is critical to a viable future of manufacturing growth in Connecticut.

In an effort to meet the competitive challenges of worldwide markets in which we operate, Pitney Bowes will pour an estimated $81 million into R & D in

SEN. BARROWS: Any further questions from the committee? No further questions. Thank you very much. The next speaker will be Fabrio Sampoli, I believe. How close did I get to your name?

FABRIO SAMPOLI: Good afternoon. My name is Fabrio Sampoli. I'm Vice President of Economic Development at the Greater New Haven Chamber of Commerce. I'm also Executive Secretary of the Manufacturers Association of New Haven County.

While the Greater New Haven Chamber of Commerce and the Manufacturers Association of New Haven County support the Governor's proposal for a 5% investment tax credit for the purchase of new machinery and equipment, HB6053, both organizations believe that the state should introduce more incentives for manufacturing companies.

Specifically, the organizations I represent support a tax credit on the cost of research and development related to the development and improvement of manufacturing processes and products as well as a tax credit on cost of qualified in-house job training programs and qualified educational programs which provide remedial training in basic mathematical and reading and writing skills.

We believe that these incentives to be vital for the manufacturing future in the state. For this reason I'm here to testify in support of HB5895.

I would also like to comment on SB471 and SB396, which I believe to be very similar in scope. The organizations I represent support the establishment of a commission on manufacturing whose charge would be to identify opportunities and challenges facing the state's manufacturers, as well as evaluate proposed legislation for its impact on the state's economy.

We believe that the commission should be composed by legislators and representatives from large and small companies. We believe that representatives from the state's large regional Chambers and business organizations should also sit on the commission in addition to the President of the CBIA as it is outline in one of these two bills. Thank you very much. If you have any questions.

SEN. BARROWS: Thank you. Any questions from the committee? No questions from the committee. Thank you very much.

FABRIO SAMPOLI: Thank you very much.

SEN. BARROWS: Mr. Tom Benedict and Ray DelGobbo.

ARMANDO PAOLINO: Senator Barrows, Members of the Committee, my name is Armando Paolino, Director of Governmental Affairs at the Greater Hartford Chamber of Commerce and I'm here today to express the Chamber's support for HB6053, AN ACT ADOPTING THE ECONOMIC DEVELOPMENT MANUFACTURING ASSISTANCE ACT OF 1990.

Earlier, we did have Ray DelGobbo who as going to make a presentation specific to the tax credit provisions of the bill and expressed support for those. I will just briefly summarize his remarks and then leave it to Tom Benedict.

Several research studies suggest that firms have the option of setting up the plant anywhere, e.g., certain kinds of manufacturing companies in contract so, say, MacDonalds, will make their decisions, in part, based on tax considerations. And second, if competing states have lower costs of doing business and taxes may only be one of several components in the cost calculations, then the state with the higher costs will lose the plants.

These are conclusions of several studies that we can make available and if Ray were he would have talked in more detail about them, but we'd be happy to make these available and they're very supportive of this type of legislation and we feel that it will be a positive first step in enhancing Connecticut's economic climate for manufacturing.

Also with me today is Tom Benedict. He's also a member of our Technology Council Legislative Committee and he's here today to talk about the other provisions of the bill, specifically the reorganization of funds and services assistance. Thank you.

: Before you leave, would you, generally, people, the tape cannot get your name unless we have it. So if you're not on the list, would you please say it and spell it so that the young lady can catch who you are as you're changing faces. Thank you.

THOMAS BENEDICT: Senator Barrows, my name is Thomas Benedict. I'm the Founder and Chairman of the Board of BioPolymers, Inc. in Plainville, Connecticut. We were the first technology-based company to evolve from the University of Connecticut. We did this with the assistance of the University of Connecticut Research and Development Corporation. My company is attempting to develop a new surgical adhesive which will replace suture and staples in the repair of the human body.

I'm here today as a representative of the Greater Hartford Chamber of Commerce, Technology Council, Legislative Committee and I'm speaking in support of HB6053.

In the past five years since we started our company, I have attempted to deal at various times with both the Connecticut Product Development Corporation, the predecessor of the current Connecticut Innovations, Inc., and the Connecticut Development Authority. I can tell you from past experience that dealing with one government agency is sometimes difficult at best, dealing with two is equally worse.

I think that this new bill that is before you will consolidate these efforts under one house, as Commissioner Heintz spoke earlier, and will allow them to streamline and economize their efforts so that they can be more effective in helping businesses.

Of great importance to me is the fact that this also expands the definition of companies that can be assisted to new high technology businesses that are starting up. One of the major thrust of the universities in this state is to take some of the

$40 to $100 million in research funded by the United States government and spin that out into new technology, new jobs and new businesses in the State of Connecticut.

In the last five years BioPolymers has created 25 jobs in Plainville. Obviously, that puts us in a very small class, but we feel that our potential impact on the medical market will allow us to grow in the next five years, especially when we receive approval from the United States Food and Drug Administration.

Our problem is securing the financing and support to last through that period so that when that approval is received, we can have a major impact on the economy, both in Plainville and the State of Connecticut.

I feel that this bill is an improvement over the current situation and it will be a much-needed improvement if it is passed. Thank you.

SEN. BARROWS: Thank you. Any questions from the committee, which is dwindling? Thank you.

THOMAS BENEDICT: Thanks.

SEN. BARROWS: The next speakers will be Geoff Fowler, Ted Butler and Charlie Duffy. Who's going to speak? All three?

CHARLES DUFFY: One at a time, though.

SEN. BARROWS: One, one, one, one minute apiece.

CHARLES DUFFY: My name is Charles Duffy. Thank you, Mr. Chairman. I'm here today representing the Connecticut Foundrymen's Association. We want to take advantage of the opportunity to talk about a problem that we have. We note with interest and support that you're considering granting investment tax credits for manufacturing. (HB6053)

We have a very simple problem and it's staying in business long enough to take advantage -- to be around long enough to take advantage of the investment tax credits that you I think appropriately are considering. But very simply, we want to explain to you today an existing problem that confronts the foundry industry and actually threatens them, and as a former deputy commissioner of the Department of Economic Development, we always spoke about the importance of retaining jobs that we have in addition to creating new ones and this really goes to that particular issue and I want to introduce Geoff Fowler and Ted Butler who are going to talk to you in a little bit of detail about their particular sales tax problem with the hope that as the committee moves these bills forward, it will include language which we will submit to you, fixing this particular problem.

GEOFF FOWLER: Chairman and Members of the Planning and Development Commission, I represent -- my name is Geoffrey Fowler. I represent an industry that manufacturers castings by the sand process. Ted will give a little bit more detailed explanation of what that is, but we use a pattern to manufacture a casting that's used in many industries in the state and outside of the state.

Patterns have never been taxed before this and nor has anyone paid a tax on them. We employ about 3,000 employees out of 25 foundaries in the state. It's a low margin industry, typically 5% pre-tax. We compete with other state's foundaries, none of which tax patterns. For example, Massachusetts has specific legislation that exempts patterns from taxation. Part of that rationale is because Connecticut did not tax patterns.

Eight percent on a pattern is a serious competitive advantage for our competitors out-of-state. Our average pattern sale would be approximately $1,000. This will yield us $800 a casting sales, which is typically 5% pre-tax profit. Well, $80 in pattern tax cannot be absorbed by our industry when our profit on this item is only $40 for the castings. Maximum revenue loss for the state, if you could go back for three years, would be somewhere in the vicinity of $200,000 to $300,000.

I'd like to introduce Ted Butler.

TED BUTLER: My role -- I'm a little bit harried right at the moment because I just left my office trying to settle out a situation on our group health insurance. It was just announced to us that we have a 47% increase in our group health. However, I think we have an issue here that I think you can help us with.

I'm here to explain the process and what has happened very quickly. We have foundry the process before you. We are producers of industrial castings. Once in awhile we vary from an industrial casting. We, at Taylor and Finn, has a casting that's up on the moon, part of the lunar vehicle that's up there. Also, in 1878, the State of Connecticut contracted us for all the ornamental fencing and finals on top of the State Capitol. They gave us a repeat order in 1978, 100 years later to replace those castings.

For the industrial castings we start out with a blueprint that's produced by the customer. He provides it to us. He asks us to make the tools so that we can tool up to make the casting. This is our end product that's given to the customer. He then machines it and assembles it into whatever piece of machinery that he happens to be producing. In this case, it's Emhart, located up in Windsor and that casting, along with many others, are assembled into a glass bottle machine, a machine that makes glass bottles.

We produce for tooling. In this bag here is some sand I took off the mold line this morning. We're sand casters. We use sand. We ram the tooling up against the sand. We extract the tooling, leaving an impression in the sand. Now we'll just -- this particular sand here, by what I would call maybe a mere accident of the taxation process is what the state has determined to be the tool because it is, what it touches, the metal that's poured into it.

In any event, the tool, rammed up against the sand, extracted and then we take scrap steel, iron, scrap iron. We melt it. Out of ever 20 tons of castings that we sell, 18 tons of recycled metal is utilized to produce those 10 tons. We take that molten metal, pour it into this mold. The mold disintegrates as due to that pouring and then out comes the casting, which we -- like this particular casting which will be shipped to Emhart tomorrow. That's the process. There's one other very important part to it, and that is the people and I think at Taylor and Finn, which is 200 people, is typical of other foundaries. In our case we had a 2.5% pre-tax profit in 1988. In 1989 we broke even.

If we look at the profile of our employees, as I said, typical of most cast metal producers, it's a little United Nations, over 50% minority. Over 50% do not speak English, 71% have no high school diploma, 25% do have a high school diploma, 4% or eight out of the 200 are college graduates, yet in spite of that, we pay good wages and benefits.

Our average wage is $10 an hour. The range goes from $8.60 to $15 an hour. Our people are very skilled, yet they have no formal education. Foundry training cannot be found in the private sector or in the state sector within the State of Connecticut. The employers, foundry employers within this state train their own. In the case of a molder, it may be up to two years of training.

This high cost of tooling, I have an example here, where this tax, this sales tax on this tooling impacts us greatly is because we have -- in this case this was a recent quote that went out. We don't get much casting sales, many casting sales off of this pattern tool.

For example, in this quote, we have $1,100 tooling charge to produce a two-piece casting order. Those castings sell for $64 each. There's another $500 tooling charge to produce a casting order of 80 pieces, $2.50 each. I feel that you're in a position to help us correct what is an accident of the tax process and having the foundry tooling used in the cast metal process be exempt from the sales and use tax as well as to preserve over 3,000 existing jobs, well-paying jobs with good benefits, particularly health benefits. Thank you.

SEN. BARROWS: Thank you. Any questions from the Committee? Representative --? Okay, thank you very much.

TED BUTLER: Thank you.

SEN. BARROWS: The next speaker will be John Rathgeber, CBIA.

JOHN RATHGEBER: Oskar's good at pronunciation of that name, but he's the only legislator in the building. For the record, my name is John Rathgeber. I'm Executive Vice President of CBIA and I'm here to speak on several bills, but primarily HB6053, which Commission Heintz and Commissioner Meehan spoke about earlier.

I'd like to begin by just congratulating the committee on putting forward a number of bills which do set forward an agenda that recognizes the importance of Connecticut's economy to the overall vitality and health of the State of Connecticut. I think you have a number of items before this committee which would go a long way to restore business confidence in the state.

As to the specific piece of legislation, I'd like to speak in support of both segments of it. We do think that it's essential that the state revamp its current assistance programs, particularly given the changes and competitive nature of the economy and also the period of limited resources facing the State of Connecticut.

The changes would give greater flexibility to the Department of Economic Development to respond on a timely fashion to expansion, retooling and new business opportunities in the State of Connecticut and I think that's very important in today's marketplace.

Secondly, with limited resources, I think it underscores the importance of having flexibility and from that flexibility in the management of the department, accountability as to being able to make decisions. A commissioner who has greater flexibility to use their resources will have to stand by the decisions that they make. They will not be able to say that they were restricted from considering this project or the other project because of the narrow definitions within the state law and I think that this bill moves a long way to give our commissioner the ability to manager his department and we think that's essential, not only in this department, but in other departments of the state government.

On the investment tax credit, you've heard our message and it was repeated today by Commissioner Heintz, which is can Connecticut's economy compete in the 1990s? One of the reasons why we asked that question was a trend over the last several years, particularly in manufacturing, which is really one of the cornerstones of Connecticut's economic base, a trend of reinvestment outside the State of Connecticut. A recent Council on Economic Development survey ranked Connecticut 45% of all the states in reinvestment on its industrial base. That's a real reason for concern because if we're not investing in our productive capacity, we are not going to be able to meet the competition, not just in the 1990s, but in the 21st Century. So we need to stimulate that investment and an investment tax credit is a good first step in that direction.

Tax policy is not the only reason that there's been a loss of investment opportunities in the State of Connecticut. We've had higher, other costs of doing business. Ted Butler talked about health care costs. You've seen bills on Workers' Compensation this year. You have issues of educational accountability and energy costs as well. The agenda that's being moved forward, as a whole, will help respond to those issues.

One of the advantages also of an investment tax credit, which have not been mentioned to date or today, is the fact that by encouraging these investments in plant and equipment will also be helping out the municipalities in the State of Connecticut. The growth or lack of growth in personal property values, particularly production machinery and equipment during periods during real property revaluations are essential for holding down the tax rate on all -- for all property tax payers.

A growing property base, Grand List base, through the introduction of modernization of existing machinery and equipment expands that Grand List and helps hold down the taxes for all taxpayers. Right now in the State of Connecticut with this lack of investment in production machinery and equipment and with the dropoff in consumer purchasing of new automobiles, you have seen very flat and very stagnant Grand List growth and you have seen pressures on municipal governments to increase their mill rates and their taxes on all taxpayers.

So this type of proposal has the added advantages of helping the municipality build the type of tax base it needs to encourage and continue economic growth. And finally, on the -- there's a series of bills dealing with commissions on manufacturing and business opportunities and the like and I pretty much agree with Representative Jones that we don't want to overwhelm the commissioner with so many different bureaucracies.

At the same time, I think it would be helpful to more forward with a consolidated proposal on an advisory panel on business opportunities. Like some of you, we were somewhat skeptical of the Senate -- bipartisan Senate Committee on Business Opportunities which began last fall as to whether or not substantive proposals would come forward from that body and yet I believe it gave an opportunity for business people to share with legislators their real life problems and real life competitive pressures and out of that, I think, has come a number of agendas, a number of items amongst the General Assembly which would go again a long way to restoring business confidence, not only in tax policy, not only in restructuring the Department of Economic Development's assistance programs, but also in the area of energy and the areas of Workers' Compensation and the critical area of educational accountability.

We see the state moving forward to try and build an agenda which will continue to make Connecticut's economy one of the envies of the entire country. Thank you.

SEN. BARROWS: Thank you. Any questions? Representative Jones.

REP. JONES: Yes, John, just on that latter point, do you see any problem with the Commissioner of

Economic Development holding hearings around the state for testimony on ideas with respect to economic development?

JOHN RATHGEBER: No, and further, I don't see any real problem with the commissioner using some of the resources that he has already available to him and he mentioned his kind of ad hoc economic council and the economist from CBIA does serve on that along with some of the other people from around the state. I think that type of body is helpful to the commissioner. It may be helpful, though, to have in the legislation certain specific criteria for that type of body to comment on. We would find it helpful for them to raise economic competitive issues on major pieces of legislation as to they affect the competitiveness of Connecticut's economy.

REP. JONES: We also have a proposed bill that would reduce the impact of personal property taxes for new machinery and equipment in the first two years of its life. Do you have any views on that?

JOHN RATHGEBER: Clearly, the personal property tax on particularly manufacturing production machinery and equipment is one of the least competitive aspects of Connecticut's tax policy. In almost any tax comparison between neighboring states or other industrial states, you will find that the property tax, because of our reliance on the property tax, because of our base of taxation, which includes production machinery equipment, which is not taxable in most other industrial states, and also because of our assessment practices where personal property is effectively taxed at a higher rate than real property because it is revalued annually as opposed to once every ten years, that the reliance on personal property taxes, on machinery and equipment make it difficult to do a cost benefit analysis which justifies making the investments in Connecticut.

The one problem that you have, quite frankly, in eliminating the tax, and this is a much more modest proposal in basically having an abatement for two years, is that the production machinery and equipment is such a major component of the local tax base that to remove it from the tax rolls will cause an increase in the mill rate and increase taxes on all other taxpayers and because it is a depreciable asset, unless you have continued reinvestment in new machinery and equipment, you're going to have an impact upfront.

We have supported in the past the elimination of the production -- the personal property tax on production machinery and equipment. It has always been with a caveat that you need to provide a local grant program to relieve, to pay for the loss of revenue at the local level.

REP. JONES: Do you have any figures on what the potential loss of revenue would be?

JOHN RATHGEBER: They're old and I need to update them and they were basically, again, Representative Jones, on the total elimination of the personal property tax on production machinery and equipment as opposed to this version which is on a front end abatement for two years of that tax.

REP. JONES: If you ever do update that, I'd be interested in that figure. I think I talked to one of your economists about it earlier.

With respect to HB5895, which has a similar purpose in investment credits and Commissioner Heintz's proposed bill, how would you assess the relative merits here or where do you come out on --?

JOHN RATHGEBER: Well, I think the No. 1 priority is to encourage investments in the productive capacity of Connecticut manufacturing and that would be in the area -- in either bill, in the area of production machinery and equipment tax credits.

There is clearly a need on educational and training. There is a lot going on right now as trying to improve educational accountability. Given limited resources, our priority, as I've mentioned, is in the investment tax credit for production machinery and equipment.

REP. JONES: At a 5% rather than 15% because of the revenue loss?

JOHN RATHGEBER: Again, looking at the fiscal picture of the State of Connecticut, I think it's very important that a promise to come forward with the tax incentives will not be turned around in two or three years if fiscal policy becomes more difficulty, if the fiscal situation becomes more difficult.

As an example, if you go back to the early 1970s, the State of Connecticut did eliminate the personal property tax or began to phase out the personal property tax on production machinery and equipment. In the early 1970s, like today, was a series of difficult budget years and they had to reimpose that tax, and as you know, Representative Jones, one thing that business taxpayers want is some certainty as to tax policy over the useful life of whatever the investment may be.

REP. JONES: I think that's a good point. Thank you.

SEN. BARROWS: Any further questions? No further questions. Thank you. The next speaker will be Bill Bevacqua.

BILL BEVACQUA: You're getting tough names this afternoon, Senator.

SEN. BARROWS: How close?

BILL BEVACQUA: Senator Barrows, Members of the Committee, my name is Bill Bevacqua and I am Vice President of the Bridgeport Regional Business Council, a major business association in Southern Connecticut.

I'm here to support HB6053, the Economic Assistance Act, as well as to join my associates and colleagues from both SACIA and the New Haven Chamber and CBIA asking for your additional consideration for the provisions of HB5895 which calls for tax credits on new machinery, research and development and job training expenditures.

I will try not to be redundant because much of what I have to say you've heard earlier, however, there are some important points that I would like to stress. My organizations includes over 1,300 employers in the Bridgeport area and in recent years we've been troubled by the loss of many of our major manufacturing members who have moved to other areas.

Virtually all of the businesses, businesses such as Carpenter Steel, Remington Arms, Singer Manufacturing, Bridgeport Brass, just to name a few, are companies that closed their operations in Connecticut and moved then elsewhere. None of them went out of business.

Our analysis of these losses indicates that greater incentives are what is necessary to keep the remaining manufacturing firms that we have in our state from following the pattern of relocation to other areas and it's for that reason that we think HB5895 is worthy of your consideration because it provides broader valuable incentives to manufacturing companies.

The credit for new machinery and equipment purchases, for example, is particularly appealing to those companies who have operations in other states and many of the companies in our area do have operations in other states and make their decisions about where they will reinvest or provide new investments based upon tax policies and very often Connecticut suffers a loss of this investment in our state because we do not offer tax credits, for example, on new machinery equipment.

Many of our companies, both large and small, are tied to the defense industry and need to spend monies on new product development more designed for commercial consumption. It was mentioned earlier that companies that do have major investments here would be very wise to look at ways in which they can diversify from the defense industry to more commercial activities and obviously providing an incentive would be a greater encouragement for those firms who are looking at diversion from the heavy reliance on government.

The firms that I mentioned earlier who moved from our area left a sizable pool of workers who need new skills training to prepare them for the demands of new jobs. This has placed a costly burden on many of the employers. You already heard some figures from other companies who have indicated that their training budgets have escalated enormously in terms of meeting the demands of training, in-house training for the workers that they hire and this is particularly true of those companies that have left and have left qualified workers in terms of their productivity and their capability, but whose jobs skills are no longer relevant to the market that exists here in Connecticut, so job retraining is a very important incentive, particularly if we were to adopt some sort of investment credit for that training to absorb some of the cost that these employers have been asked to deal with.

So therefore, again, without going into a number of other things that you've already heard, HB6053 is an excellent bill. It's an excellent beginning and with some of the incorporations of the provisions of HB5895 included in that consideration, it would be a major step in demonstrating to existing Connecticut companies, as well as others that we might induce to come here, that we want and need manufacturing to flourish in Connecticut and for that reason we think that this bill deserves your consideration. Thank you.

SEN. BARROWS: Thank you. Any questions? Representative Jones.

REP. JONES: If we were to -- if we were to consider bringing in the ideas in HB5895 on some consolidated basis, that is, a manufacturer could take, say, up to 8% investment tax credit and spread it any way he wanted among the three purposes, how would you react to that?

BILL BEVACQUA: I would react very favorably to that, Representative Jones. I think that anything that we can do to add incentives, I think many of the manufacturers in our area feel generally that the state does not provide adequate incentives as, in its broadest sense, so I think that anything that we would do to encourage investment or job training cost absorption or research and development activities, particularly those that are focusing on trying to shift away from reliance on the defense industry, I think any of these things would be welcomed by Connecticut manufacturers and would go

SEN. BARROWS: Any further questions? Thank you very much.

ROBERT PITTS: Thank you very much.

SEN. BARROWS: The next speaker is Charles H. -- I think it's Grifford, but I'm not certain. I can't make it out. Mr. Grifford.

CHARLES H. GIFFORD: I thought that was one of the easier ones.

SEN. BARROWS: It's not clear.

CHARLES H. GIFFORD: Good afternoon, Senator Barrows and Members of the Committee. It's Charles Gifford and I represent Electric Board in Groton, Connecticut and I'm here to lend my support also, as you've heard all day, in support of HB6053 and HB5895, the tax credit bill.

Earlier, very early, I think, one of the representatives asked a kind of rhetorical question, what would happen if we didn't pass this type of legislation and I think the answer is that it's already happened. It's already happening even as we speak. I spoke with you folks last week before those of you who are on the Labor Committee and I mentioned the United Nuclear plant closing in Montville last week where they announced the plant closing and laying off of 1,000 employees.

Now reports in the paper would have you believe that the result -- that is the result of the decreasing budget and the fact that there were only two sources of manufacture of nuclear components in the United States, one in Connecticut and one in Virginia.

The fact of the matter is in a battle of Connecticut versus Virginia, UNC lost and any Connecticut company would lose. The reason is because the Department of Energy and the United States Navy is going to buy the products they need to buy at the best price they can, the most economically advantageous price to the government and to the taxpayer. Given equal quality, the cost to the taxpayer is basically the only consideration.

The corporate tax rate in Virginia is 25% lower than it is in Connecticut. The Workers' Comp rates in Virginia are significantly lower than they are in Connecticut. The composite of those two overhead rates alone is 28% to 30%, not to mention the fact that the weekly wage, the per capita income in Virginia is $17,600 whereas in Connecticut, of course, we lead the nation at $22,700, so you're looking at about a 30% difference there.

So I do want to commend the committee for coming up with this kind of legislation that would give tax credit to manufacturers for investment in new machinery. It's probably the brightest piece of legislation I've seen on this session, certainly in view of the Workers' Comp things we've been considering earlier, but the answer to the gentlemen's not so rhetorical question is that without this kind of legislation, without sending this kind of message, I think the message that you send is very, very important, not only the content of the bill, but the message that we're -- that the legislature is considering these kinds of incentives and hopefully that philosophy will flow over into other areas.

Someone mentioned an economic statement to be attached to legislation in the same way that we do an environmental impact statement. I think that's very, very important that if we can look at every piece of legislation no matter what what committee it's raised in or what it's involvement is as what is its impact on Connecticut's economy because the answer to the question without legislation like this and it moving forward, we'd just be out of business, the whole state. Thank you.

SEN. BARROWS: Thank you. Any questions from the committee? No questions. Thank you very much. I have one question. You're from Electric Boat, right. How is your job training programs?

CHARLES H. GIFFORD: The job training program at Electric Boat -- well, we have -- at Electric Boat we have a building which was a schoolhouse own by the Town of Groton. Electric Boat took over this schoolhouse and maintained it in that capacity. We have about 150 to 200 full and part-time teaching people at that facility. We have a full-time staff of I would say 40 or so full-time including the administration of the schoolhouse itself.

Classes there are conducted from 7:00 in the morning until 11:00 at night in almost every subject both related to the work of Electric Boat and ancillary subjects, subjects that would have an employee become more knowledge in things like investment and banking and their own personal life, GED completion for people who haven't gone through high school and English As A Second Language, so they run the whole gamut, from the people who come in who are not as literate as they should be, who lack entry level skills. We bring them up to that level. People who come in at that level and want to increase their skills, we take them beyond that, and of course, the company is associated with the University of New Haven to provide scholarship and help tuition refund for people going on that want to take Bachelor Degree, Bachelor level courses or Masters or anything like that and all of that is the formal education segment.

There is a whole separate on-the-job training portion that takes place in the shipyard itself. Remember, there's 17,000 people there, so we're like a very, very large town. We do have our own schools, our Police Department, our own Fire Department our own hospital, so it's very, very large, very, very proactive.

SEN. BARROWS: All right. Thank you. Any questions? Representative Jones.

REP. JONES: Roughly, how many new employees would you hire a year in that facility?

CHARLES H. GIFFORD: Well, depending upon the availability of workers is a concern. Right now we're hiring as fast as we hire qualified workers. We're pretty much hiring. We've been recruiting --

Electric Boat has been recruiting pretty much throughout the country for the last year or so trying to lay on new employees.

If there is a reduction -- or there won't be a reduction, really, but if there is a stretchout of programs for the Navy, because recognize, we have only one customer basically at this point and one product basically at this point. There is some ancillary work going on, but basically we're talking about submarines. So if that gets stretched out, it could result in a situation where we may sit back and just let attrition take place. Right now we are hiring and have been for some time. How many we're laying on, we're not able to hire enough. We're probably -- I had some numbers and I'm just kind of trying to wing it here, but I would guess that we probably are looking at about 1,000 a year or so that we're trying to lay on, some number like that.

REP. JONES: Do you regularly recruit employees from either vocational-technical high schools or technical colleges in the state?

CHARLES H. GIFFORD: Absolutely. Part of the education people's charter is to go out and work with these schools and to help them tailor courses which will be beneficial for people having learned the skills to come into the shipyard, metal working, metal fabrication, welding, shipfitting and that sort of thing. So they absolutely do that. They're out on the field all the time working with the schools and there's currently -- I understand it, there's currently an undertaking to get people into the shipyard during the -- we hire people during the summertime too from college, but there's currently an initiative afoot to get people in from high schools to work during the summer too.

I'm not sure of the state of the law with respect to the age. I know it used to be you had to be 18 years old to work in an industrial or in a machine environment or maybe it used to be 16, but in any event, there's -- I believe that that's in the throes of changing right now, but I'm not real pointed on what it is, but to the extent we are able to, we are.

REP. JONES: Can I infer that quality of graduates of these schools is good because you work with them and they are training the trades in modern methods and --?

CHARLES H. GIFFORD: Well, being a graduate from a technical school myself, Hartford Technical Institute a long time ago, I'm kind of biased, but yes, it is good. I understand from talking with the people in the education field that it is very good what's coming out of the technical schools in Connecticut.

REP. JONES: Do you also have difficulty with some of your new employees in terms of basic skills, literacy? Do you have to upgrade?

CHARLES H. GIFFORD: Yes, sir. Yes, sir, we have to and we do and we have a program that does that.

REP. JONES: Thank you.

SEN. BARROWS: Thank you. Representative Carter.

REP. CARTER: Good afternoon. How far are you and Electric Boat into considering of scaling down, when it comes to the military stuff they're doing because the feds are cutting back, and going into another field?

CHARLES H. GIFFORD: There are studies being done along those lines and I would have to say that two things about them. One is that they are not developed enough that I would be comfortable to announce anything in that regard, and two, some of the activity is somewhat classified, but given the nature of our product and the nature of our involvement, you could probably suspect that we would not be -- that we would be looking in allied fields, such as commercial generation of power and that sort of thing.

I expect that as the attitude, I mean we see Seabrook opened up now finally and I think that nuclear -- I've always thought that nuclear power was the way to go, but that's a whole separate discussion, but to the extent that there are skills that our nuclear people possess, then we would be looking into that kind of activity, yes.

REP. CARTER: So in the next five years you would see that you would be increasing staff instead of laying staff off because you'd be converting over to something else?

CHARLES H. GIFFORD: I would have to defer an answer on that question, Representative. I think that hiring versus laying off is probably too extreme a comparison. It would probably be hiring additional versus not hiring and letting attrition take its normal reduction in force which is running probably 5% to 8% a year just in attrition anyway. We have a large attrition rate.

If you look at when the big buildup and the big thrust came with the nuclear submarine, the Nautilus, back in 1955, and you look at the age of the young engineers and the young hourly people and the supervisors that are in the yard actually hands-on building the ships and the quality control people and that sort of activity, they are now reaching an age where the retirement is just kind of taking off, so attrition is probably going to just take care of a lot of it and I don't think that we will be, I don't suspect that we will be in a position in the next five years of actually laying off anyone. We may not hire as many, but I don't expect we'll be laying off anyone because of this phenomenon which just happens to coincide with, as I say, the 1955 through 1960, 1965 buildup.

SEN. BARROWS: Any further questions? No further questions. Thank you very much. The next speaker is Patricia Wass.

PATRICIA WASS: Senator Barrows and Members of the Committee, my name is Patricia Wass and I'm the Executive Director of an organization called Connecticut SANE/FREEZE, Campaign for Global Security. SB 369 SB 396 HB 5806

For the last several years we have worked to stop the nuclear arms race and cut military spending and subject and I'm glad to see now at least you're raising the bill for hearing which the committee wasn't able to do five years ago.

This problem seems to be one that we don't want to pay attention to when the military contracts are good, and as Pat said, when they are starting to fall, it's almost too late. John Driscoll, I think it was, who was the president five years ago of the state AFL-CIO said it was like the leaking roof. You don't need to fix it when the sun is shining and when it's raining, it's too wet to do anything about it.

With your budget constraints in the legislature, you may feel that it's too wet to be doing anything about it now, but it's a long term problem and it takes a lot of lead time to deal with it. It's not a simple matter of transferring technology overnight from building submarines at Electric Boat or sophisticated equipment at United Technologies to suddenly building subway cars. It's very hard to -- no one in fact has really good models for transferring that kind of technology and it's not a matter of easy and quick retraining of many of the workers involved.

I'm just urging you to see if you can do something to work on the problem even though it seems to be raining pretty hard.

SEN. BARROWS: Thank you. Any questions? No questions. Thank you very much. The next speaker William Huhn.

WILLIAM HUHN: Mr. Chairman, Members of the Committee, my name is William Huhn. I'm Senior Corporate Counsel at Pfizer's facility in Groton. Our operations include a large a manufacturing plant in the company's central research facilities. We employer more than 3,300 employees in Groton with an annual payroll in excess of $150 million.

Before discussing possible additions to HB6053, I want to emphasize the importance of the manufacturing tax credit included in that bill. Let me say that our plant is struggling. It's a big plant. We have a lot of employees. You've heard that, I think, all day long today and the fact is that it's not just small manufacturing operations, but big ones as well that are in trouble in the state. There are reasons for that. They've been going through the tax situation here in the state. Labor costs are high. Energy costs are at I think something like 38% disadvantage here as compared to the national average and I must say that I have found a change in the past ten years.

Ever since I've been working at Pfizer I've served on various industry committees, there's been grumbling about the problems of manufacturing. I find now that there's sort of a deep-rooted pessimism about the chances for long term viability, that there really is a difference in attitude and that is the case at our operation as well. I mean it's a problem for large manufacturing as well as small and I hope to, you know, to emphasize that in my testimony.

We do believe that HB6053 is a terrific step in the right direction. We also urge that research and development be considered part of the manufacturing problem. As we see it, research and development feeds the manufacturing base and we hope you take that into consideration in your thoughts.

As others have said, the manufacturing sector does provide important job opportunities. There are some, and I'm not sure they're not right, who feel that Connecticut can thrive as a service, 100% service economy without any manufacturing. I don't think that's right and I think most people feel that you need to have productive operations in order to be strong and for that reason I think HB6053 is important to us.

Now I do have, I think, a somewhat different approach than others who have spoken today in support of HB6053. There are a number of specific provisions that I'd like to see clarified or perhaps strengthened and perhaps somethings added in. The first is, and I've laid these out in the first page of our testimony, so you have it summarized. You don't have to read the whole thing to even find any of the ideas that's on the first page, but the first one is clarification that research and development is included within HB6053. I think it's there, but the Department of Revenue

Services often reads things like an investment credit narrowly and if the wording were changed to say, "are indeed directed toward discovery and development of manufactured products," that a little, I mean that's crisper and perhaps a little broader than the words that are there, but I think that would cover our situation and I think many of the R & D operations that feed the manufacturing.

I might add just the importance of R & D in our particular case. We see R & D as an economic base industry. We employ 1,600 employees in our research operation, 400 of those have Ph.Ds, M.D.s or other graduate degrees and we have 600 more with Masters or Bachelors Degrees, so it's a significant chunk and there are pharmaceutical research and manufacturing operations in West Haven, Wallingford, Ridgefield, Bridgeport, Danbury and Farmington. So it's an important -- I think there are others similar to us in other areas of the state.

The second suggestion that I would have for HB6053 is pollution treatment and control equipment. I'd like to see that included within the language, within the definition of machinery and equipment and it would take a modification to line 1197 in the bill. The reason for that is that expenditures for pollution control are one of the highest priorities for Connecticut's struggling manufacturing sector.

At the present time there are credits for pollution control equipment. Section 12-217c and d provide those credits of 5%, pollution control credit. I don't want to mislead you that there isn't something already on the books, but we're submitting it would be appropriate to duplicate that as part of the manufacturing investment tax credit for the fact is that that's one of our highest priorities for investment in our plant now and many other companies are very similar to ours in that situation.

The third suggestion relates to a sales tax exemption for computer equipment used in manufacturing. I believe that this was raised in SB301. I'd like to say that would be very important to operations. The plant is struggling to improve the efficiency and the product yields that come out of our processes and the key to that is going to be to put in computer process control and refinements that help modernize the plant.

A fourth --.

SEN. BARROWS: How many steps do you have?

WILLIAM HUHN: Just two more. This is the last one that I think has any chance.

SEN. BARROWS: If you could summarize both of them real quick because we definitely gave you a lot of time.

WILLIAM HUHN: This one is the sales tax on electricity. Last year you had an exemption for manufacturing, but Revenue Services is interpreting R & D is not covered. Now there are a lot of operations around the state that have both manufacturing and R & D linked together and if that were clarified, it would be a very helpful clarification.

And the final wish on our list would be a sales tax exemption for personal property used in research and development. That's a big one and I recognize that, but I believe the viability of R & D and manufacturing is closely linked. Thanks very much.

SEN. BARROWS: Thank you. Any questions from the committee? No questions? Thank you. The next speaker is Sal Brancati. He left? Okay. Mr. Jim DeWitt.

JIM DEWITT: Good afternoon, Senator and Members of the Committee, and I'm just going to make some very brief comments on some issues that have not been raised before your committee today.

I represent the Connecticut Association of Metal Finishers, about 100 companies engaged in manufacturing which all or part of their operation is electroplating or painting or some other surface coating and I'd like to comment briefly on Raised Committee SB396 and I'd like to first of all commend the committee and other members of the

We hasten to add this request is for economic support of the pilot program rather than a long term financial committment. The success of this two-year program will, we are certain, result in the municipalities continuing the support of this program from that time forward. Our request is small compared to others presented to your committee. However, none have such countywide support and few will allow the legislature to provide the opportunity to the state to become a short term partner in the expansion of business opportunities with a large area and a number of municipalities.

In the interest of brevity I will now read the statements in my possession from the following towns which have indicated to me that they would like for me to official put them on record as being supportive of this measure. They are, Westbrook, East Hampton, East Haddam, Portland, Cromwell, Middletown, Haddam, Clinton, Chester, Deep River, Middlefield, Durham, Essex, Killingworth and Old Saybrook.

I would, however, like to leave with your committee copies of these statements and ask that they be included as an addendum to the public hearing testimony when you have it transcribed. This I already have given to the clerk.

We would also like to make comment concerning some of the other bills before your committee today, in particular SB301 relating to the sales and use tax placed upon the advanced computerized and technologically advanced machinery. This is something that should be taken into consideration because it has a drastic effect upon the expansion of the new technological methods of manufacture.

We also are in support of SB6053 and HB5895, however, we do think that perhaps what is happening here is you have several very good bills and if you were to come together and bring them together, it would be of great value to the overall state. Larry. Any questions?

SEN. BARROWS: Any questions from the committee? No questions. Thank you. The next speaker will be David Pendergast.

DAVID PRENDERGAST: Good afternoon, Senator Barrows, Committee Members. My name is Dave Prendergast and I serve as Executive Director of the Municipal Action Council in New Britain. This is the New Britain local Economic Development Corporation. Serving in that capacity I've had an opportunity to represent the city with respect to economic development projects undertaken as a partnership with the Connecticut Department of Economic Development.

Although we have successfully collaborated with the department on various occasions, we were -- there were in an equal number of situations, inability to provide the type of incentives that were necessary to assist a development project.

I feel the flexibility that is offered by HB6053, the Economic Development and Manufacturing Assistance Act, would provide us the necessary tools in order to address those problems that we were not able to address in the past. I believe with this assistance we can greatly assist New Britain's ability to rebuild its local economy which has been staggered by a loss of major manufacturing firms.

Among the benefits offered by this legislation are as follows. It allows the flexibility to increase to the level of state assistance provided to a project. Two, it can eliminate the need for the city to actually own an industrial park or industrial reuse site. This avoids placing the city in a chain of ownership and responsibility in the event of the discovery of environmental hazards. This new program will allow us to get the same job done with much less financial exposure by the municipality.

Third, it recognizes the comprehensive factors that are involved in a company's location decision. It will allow us to deal with offsite utility problems or considered job training or day care needs when attempting to stimulate an economic development project. This philosophy is consistent with the approach that New Britain's Mayor Donald Defronso takes to economic development, that is, to view the project in a total community context, not as an isolated activity.

Fourth, the project -- the act gives broader powers to respond to threatened plant closings. New Britain has experienced a string of such closings over the past decades. Current problems respond to opportunities for expansion or business location, but they fail to provide flexibility to avert plant closings.

The Economic Developing and Manufacturing Assistance Act gives the needed flexibility to address threatened plant closings because it recognizes that the first priority in economic development is keeping jobs we already have. I hope that these few illustrations will clarify the attributes of the Economic Development Assistance Act. The act offers a dynamic new approach to economic development through a partnership of the state, its cities and other players in the field of economic development. I believe it will help Connecticut face and overcome the new economic challenges of the 1990s.

In addition to this, Senator, I'd like to also indicate that I am a member of the Connecticut Community Development Association Board of Directors. They met at noon today and did take action in favor of supporting this legislation. CCDA, as you are aware, Senator, is an organization of professionals approximately 200 in the State of Connecticut active in the professions of economic development, community development and housing for municipalities and private entities around the state. I'd be happy to answer any questions?

SEN. BARROWS: Very good. Are there any questions from the committee? No. Thank you very much.

DAVID PRENDERGAST: Thank you, Senator.

SEN. BARROWS: The next speaker is Richard Harrall.

RICHARD HARRALL: Good afternoon, Senator Barrows and Committee Members. My name is Richard Harrall and I am appearing here today in capacity as President of the Connecticut Association of Municipal Development Commissions, better known as CAMDC.

I'm here to speak in support of HB6053 --

(cass 3) (cassette 2 and 3 do not connect, small gap) -- provides educational programs, technical assistance and professional networking as well as updates on economic development issues through its newsletter. In fact, the newsletter distributed to our members last week included a full description of the legislation being discussed today.

This morning we conducted a legislative breakfast, which in fact last year Senator Barrows attended our legislative breakfast, jointly with the Connecticut Community Development Association where this legislation was discussed in depth.

Overall, our membership has a good understanding of the legislation and fully supports the act. Most of our members are working on the local level, attempting to encourage and guide development to the benefit of residents of the community and the state as a whole. We find ourselves more than ever facing competition on the national and international level. We need a flexible program for economic development at the state level which is able, working in partnership with local organizations, to respond to change and to retain and attract economic growth and jobs for our people.

We believe that the Economic Development and Manufacturing Assistance Act of 1990 represents such a program. As an organization, we are particularly concerned about the decline in the manufacturing employment in Connecticut. Much of the economic growth of the 1980s was fueled by the maturing of the baby boom generation with an accumulation of wealth that was translated into demand for housing, retail goods and services.

As a result, there was tremendous growth in the employment sectors which supported these sectors of the economy. However, the traditional strength of the Connecticut economy, which has been manufacturing, continued to decline. This decline continues with a net loss of over 6,500 manufacturing jobs experienced in Connecticut in 1989 and a loss of 45,000 manufacturing jobs in New England during the same period.

CAMDC supports the emphasis on assistance to the manufacturing sector reflected in the title of the proposed act. We also believe that the flexibility in the act is vitally important to the future of Connecticut.

Different areas of the state offer different opportunities for economic development and face different problems. In the more rural parts of the state, the problem might be a lack of infrastructure, but the opportunity might be more affordable housing.

In the more developed areas, the opportunity might be a fully developed infrastructure, but job training for prospective employees is a need. The proposed legislation will allow targeted, cooperative partnership between the locality and the state in the design of an assistance package to meet these diverse needs.

In closing, I wish to record CAMDC's support for the Economic Development and Manufacturing Act of 1990 and urge legislative approval. Thank you.

SEN. BARROWS: Thank you. Any questions from the committee? No questions. Thank you very much for coming. The next speaker is Roy O'Neil.

ROY O'NEIL: Good afternoon, Senator Barrows, Committee Members. My name is Roy O'Neil. I'm President of the Bridgeport Economic Development Corporation. We're a local non-profit development corporation established in 1973. I believe we're the oldest non-profit development corporation in the State of Connecticut.

We have been an implementing agency for many of the established Department of Economic Development programs under their Industrial Parks Programs, urban jobs and so forth. BEDCO projects through the years have been responsible for occupancy of over 1,200,000 square feet of real estate in the City of Bridgeport, 2,000 jobs and the projects that we have sponsored are currently paying in excess of $1,700,000 in property taxes.

Approximately 60% of this space has been accomplished with the assistance from the Department of Economic Development, about 75% of the jobs. Still, as the Commissioner of Economic Development mentioned at the outset, some of these programs have become time worn.

We find ourselves in a situation where we go to a company and we tell them, "Well, these are our solutions. What are your problems?" The legislation provides an opportunity under HB6053 to change those questions around and say, "What are your problems? And we're going to help you solve them." This flexibility is important to meeting the needs of industry and simplifying some of these programs so that they're more easily understood by the participants both in industry and at the municipal and non-profit level.

One suggest that I would like the committee to consider, in terms of eligible activities, I'm pleased to see that there remains a focus on distressed communities, but besides employment, the tax base is an important consideration in those distressed communities and where a stagnant tax base is one of those elements of distress, I would like to see the legislation clarify the consideration of that tax base problem also be taken into account in determining that a project is an economic base activity. Thank you very much.

SEN. BARROWS: Thank you. Any questions from the committee? No questions. Thank you very much for coming. And our last speaker, I believe, is Mr. Jim Finley.

new requirement, but also for local Land Use Commissions to be able to deal with both subdivision plans.

There's no question that cluster zoning is -- or planned unit developments are being touted across the state as a way not only to provide needed housing, but also to conserve needed open space. CCM, as an organization, is urging our membership to look at this option and we expect that in the future more and more communities across the state will avail themselves of this zoning technique and I think this proposal would provide an additional piece of information to local Land Use Commissions in order to make them able to make a decision that's in the public interest on subdivision plans.

CCM would also just briefly like to indicate our support for Raised HB6053, AN ACT ADOPTING THE ECONOMIC DEVELOPMENT AND MANUFACTURING ASSISTANCE ACT OF 1990. It's an ambitious proposal, but on balance, CCM believes that it would be an effective proposal for the State of Connecticut and help economic development in the job situation in the State of Connecticut and we urge you to support it. Thank you. I'd be glad to answer any questions?

SEN. BARROWS: Thank you. Any questions from the committee? No questions. Thank you very much.

JAMES J. FINLEY: Thank you very much.

SEN. BARROWS: I guess there is no one else to testify. I would like to call this public hearing adjourned.

State of Connecticut
HOUSE OF REPRESENTATIVES
STATE CAPITOL
HARTFORD, CONN. 06106

REPRESENTATIVE JOEL GORDES
SIXTY SECOND DISTRICT

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VICE-CHAIRMAN
ENERGY AND PUBLIC UTILITIES COMMITTEE
MEMBER
GENERAL LAW COMMITTEE
EXECUTIVE AND LEGISLATIVE NOMINATIONS

March 19, 1990

Good afternoon. My name is Joel Gordes and I represent the 62nd district. I am here today IN SUPPORT of 5806 An Act Concerning Tax Credits for Studies for Defense Conversion Activities.

President Bush has a large deficit to reduce without benefit of raising taxes or relieving the burden of the States while President/Secretary General Gorbachev has to put food on the table or suffer the consequences of not doing so. In each case the leaders of the rival blocs must cut expenditures in that place where it can be most afforded and reduce the flow of money into the least productive sector. In both cases that is the military side of the budgets. The result is something which you and I have to cope with since, much like drugs, our local economy has been dependent upon a permanent war economy since at least the mid-1950's. We are just beginning to see the withdrawal symptoms.

Each day in the newspapers we see articles about the projected effects of what peace may do to the local economy and in some cases, there are reports of actual lay-offs due to already dwindling contracts. In some cases these lay-offs appear to be almost premature. Yet, the handwriting is on the wall and we must provide some solutions to keep Connecticut's working force at work.

The bill before you is one attempt to insure that Connecticut businesses and workers will not be displaced and the resulting revenues to the state will not be lost. It simply calls for tax credits for businesses heavily dependent on defense work to aid them in paying for studies which show how they can transition into the non-defense sector. This is similar to a bill I introduced two years ago except that it focuses on the studies. According to information at the Manufacturing Task Force meeting on diversification/conversion, these studies are a starting point for any meaningful conversion but the funding to accomplish them may be a major obstacle to small and medium sized business.

This bill is not complete by any means. It is a starting point and I would be the first to point out that it needs to be tighter in scope in a number of ways. These include:

1) The credits should go only to companies up to a certain size either by gross revenuess or number of employees. I would expect larger companies to have long range strategic plannning capability already. The committee might consider graduating the amount of the tax credit by business size or capping the total amount of credits available each year.

2) The credit should go only to those businesses who are involved with a high percentage of defense work or where defense business is a marginal factor in their profitability.

3) If limitations are put in place, priority should be given to those businesses who have been identified as having programs which are already reduced or eliminated.

4) As a condition for the study tax credit the business must agree to labor participation in the study.

5) The Committee may even wish to merely make defense conversion study tax credits one of many other eligible items in the Governor's manufacturing tax credits proposal this year. I think that this might actually be quite appropriate. I have noted that in the preamble and in section 3 (2)(B) of 6053 that promoting diversification from defense dependence is qualification for a business development project and line 285 makes feasibility studies eligible for assistance. I would only add that I hope that the procedure is kept as simple as possible. The more difficult the State makes it, the less small businesses will take advantage of it. Also, there must be marketing of it or no one will know about it. I can tell from my own experience of the failure of the State to market its programs aggressively.

Finally, I well realize that any tax credit given is going to result in a fiscal note which indicates a loss to State revenues. The whole problem with the logic behind our system of fiscal notes is that they do not show what the loss might be if we do not provide this form of tax credit -- the loss of opportunity. I maintain that the loss of defense related industry without conversion will result in greater losses than the fiscal note indicates for tax credits.

It is time to put our money where our mouths are without having to wait upon or depend upon actions which may or may not happen at the federal level. It has taken, in my case, fifteen years to bring a conversion bill to this point but now events are happening so fast we are all behind. The future belongs to those who prepare for it best and this bill is a step in that preparation. Up to now our best scientific and manufacturing talent has been put into the military sector and not into consumer goods. Our trade balance sorely reflects that. Now we have the opportunity to help reverse that trend and to regain old markets and win new ones.

Thank you for your attention.

Testimony

of

Stephen B. Heintz

Commissioner

Connecticut
Department of
Economic Development

before the

Planning & Development Committee

March 19, 1990

TESTIMONY OF COMMISSIONER STEPHEN B. HEINTZ
PLANNING & DEVELOPMENT COMMITTEE PUBLIC HEARING
HARTFORD, CONNECTICUT
MARCH 19, 1990

Distinguished members of the Committee, I come before you today to urge your favorable consideration of Governor O'Neill's "Economic Development And Manufacturing Assistance Act of 1990" HB 6053. I am pleased to be joined by Commissioner James Meehan of the Department of Revenue Services who will testify about of the Manufacturing Investment Tax Credit section of the bill.

This important piece of legislation not only addresses one of the critical economic development challenges facing the state of Connecticut in the coming decade, but also serves as the third component of Governor Bill O'Neill's five point economic development strategy for the 1990's.

As a first step in realizing this ambitious strategy, Governor O'Neill two years ago introduced and the General Assembly approved the Financial Capital Act of 1988. That legislation successfully simplified the state's financing programs by eliminating eleven narrow, categorical state-funded loan programs administered by the Connecticut Development Authority and in their place created two broad and flexible ones. This simplification and consolidation has helped assure small and medium-sized economic base businesses improved access to the capital necessary to upgrade equipment and expand operations.

In 1989, the second step of the Governor's economic development strategy was undertaken with the passage of the Innovation Capital Act and the creation of Connecticut Innovations, Inc.. CII provides a unique new resource for state government, dedicated to assisting Connecticut's innovation community. Today's entrepreneurs and tomorrow's growth companies now have at their disposal a centralized clearinghouse that provides access to information, technical assistance, research and development, product development financing and start-up capital.

We have the opportunity in the 1990 legislative session to take the third step in constructing the economic development strategy for the 1990s with your favorable consideration of the

Economic Development and Manufacturing Assistance Act of 1990. This legislation revamps the state's real estate and investment programs, providing both greater flexibility and the ability to more effectively target state resources to those communities with the greatest need. It also provides Connecticut manufacturers a 5% investment tax credit for the purchase of machinery and equipment placed in service in manufacturing facilities.

The fourth component of Governor O'Neill's economic development strategy for the 1990s is to expand efforts to improve opportunities for Connecticut businesses in the increasingly global marketplace. We are working on the development of more aggressive and innovative approaches to this ever-expanding world market so that small and medium sized Connecticut companies, many with previously unexplored export potential, may be assisted in both market entry and expansion efforts.

Finally, a restructuring of the state's education and training programs, currently underway through the Connecticut Employment and Training Commission is the fifth major component of the Governor's

Economic Development strategy. Through the work of the Commission, a fully coordinated system designed to meet employer needs and enhance worker skills is being developed and refined.

These five steps, which are critical to the state's economic viability and vitality in the coming decade, are Connecticut's insurance in the face of regional, national and global competition. While the state has successfully emerged from the 1980's with an enviable record of achievement, including the highest per capita income in the nation, an unemployment rate well below the national average and a quarter of a million new jobs, "maintaining the momentum" will require a revitalized and renewed commitment to the economic development tools so essential to the health and well-being of our state's economy.

The Economic Development and Manufacturing Assistance Act of 1990 is the product of a year-long re-examination of the state's real estate and financial incentive programs. This legislation assures the continued efficacy and usefulness of the Department's programs in responding to the economic development needs of the state's businesses and municipalities in the 1990s.

Developed in the 1970s, the state's real estate and financial incentive programs responded to the economic aftershocks of that era -- an energy crisis, inflationary interest rates, high unemployment and global industrial restructuring.

The challenges facing Connecticut in the 1990s can not be addressed entirely by these time-worn approaches. Rather, these programs which proved so critical in the past have become anachronistic with the passage of time. Just as many Connecticut businesses are "re-tooling" for the nineties, the state must re-tool its basic economic development instruments as well.

The six narrowly constructed, categorically focused programs that are currently the core of the Department of Economic Development's assistance programs are primarily reactive; responding broadly to the symptoms presented by a municipality or business. These programs do not provide the flexibility necessary to adapt to the particular needs of particular communities; nor do they allow for customized and comprehensive assistance to individual businesses.

The 1990s necessitate that we become more market responsive by expanding and providing flexibility to the economic tools we have at our disposal. Only then can we adapt to changes in the Connecticut economy as they occur.

Many of the challenges we will face in this decade are the by-products of the economic prosperity of the 1980s. While Connecticut's economic legacy for the 1980s is indeed one to be proud of, this economic prosperity also placed enormous pressures on the state's land resources and quality of life. These pressures help to shape the economic development climate we operate in today.

The increasing scarcity of strategically located land for manufacturing and other economic-base industries, coupled with the aging of the state's existing building stock, are among the challenges facing Connecticut in the nineties. If we are to successfully provide attractive sites and buildings to economic-base businesses from fledgling companies to major corporations, we must have the capability of tailoring our assistance more efficiently and effectively.

The intense statewide growth of the eighties continues to bypass those older urban centers in greatest need of economic growth. These economically disadvantaged communities will, if left unattended, continue to experience a decline in their tax base. In a state that has been referred to as "the wealthiest constitutional jurisdiction in North America", we house some of "the most distressed communities in North America."

In the same vein, our current economic development programs are not responsive to threatened plant closings, relocations and defense contract cutbacks.

No longer do companies have the luxury of operating in a business-as-usual climate. The full spectrum of business support issues - such as day care, job training, education, transportation, employee housing, energy conservation, pollution control and recycling - that has become increasingly important to Connecticut businesses, must in turn become important to state economic development policy if we are to maintain our competitive edge.

The past reliance of state economic development efforts on grant programs (as opposed to loans or other forms financial assistance) severely limits our ability to tailor a financial package to meet the specific needs of a business. This emphasis on subsidization as opposed to investment reduces the state's capacity to leverage public and private sector dollars in a more productive way and precludes the state from receiving any direct return on investment.

The failure to provide tax incentives to stimulate investment by manufacturers in machinery and equipment greatly impairs our productivity and jeopardizes our competitiveness in the global marketplace.

The Economic Development and Manufacturing Assistance Act of 1990 not only fills the gaps that are a result of the narrowly constructed economic development programs now at our disposal, but also anticipates the exigencies and needs of Connecticut's economy in the next decade. It is both reactive and proactive in its goals and objectives.

The first part of the legislation restructures the Department of Economic Development's six basic programs: the Industrial Parks Program, the Infrastructure Development Economic Assistance Program, the Urban Act Grants program, the Urban Jobs Tax Abatements, the Technological Upgrading Tax Abatements, and the Job Incentives Grants program. The act will consolidate these programs into a more aggressive, flexible tool capable of leveraging public and private sector dollars in a more effective, targeted way.

Despite the past success of our economic development programs throughout the eighties, most notably the Urban Enterprise Zone Program - which has attracted nearly $400 million of private investment and more than 13,000 jobs to some of our cities' most blighted neighborhoods - and the industrial park program - which has subsidized the construction of more than 25 million square feet of prime building space for manufacturers, helping to create or retain more than 40,000 jobs, - the Economic Development and Manufacturing Assistance Act of 1990 greatly enhances the state's capability for continuing to build upon its diversified economic base in the decade ahead.

The consolidation and refinement of retooled financial assistance programs to municipalities and for qualifying manufacturers provides the state greater financial flexibility in this new era of scarcer resources, defense reductions and slower economic growth.

This increased flexibility will enable the state and its manufacturers the room to negotiate the specific terms of economic development projects on a case-by-case basis as manufacturers consider future investments in the state.

Further, the Department will be better equipped to more effectively meet the special needs and problems of the full continuum of Connecticut firms seeking its assistance. The range of firms that need our help extends from entrepreneurial start-ups unable to afford up-front real estate investments to old-line manufacturers which are weighing the upgrading of existing facilities against the possible relocation out of state.

State assistance will be available for projects involving industrial park site and facility development, real estate expansion and renovation, technological upgrading of machinery, job creation and retention, defense diversification, plant closings and layoffs, research and development, and promotion of community conservation. The act also eliminates costly and time consuming procedures resulting from the duplication and redundancy of current categorical programs.

The new arsenal of financial assistance will include loans, mortgage guarantees, grants, lines of credit, or combinations thereof that can be utilized in the acquisition of land, buildings, machinery and equipment; site improvements; building renovation, construction and demolition; relocation expenses; planning and project administration; business support services; and tax abatements and credits in targeted investment communities.

The Manufacturing Assistance Act also increases the state's capability to leverage public and private sector dollars in a more efficient and productive way, maximizing the state's capacity to realize a direct financial return on its investments. This return on investment would facilitate reinvestment in future economic base projects.

The legislation's enhancement of incentives to those manufacturers and other economic base industries choosing to locate or expand in targeted investment communities will assist in facilitating economic growth in eleven of Connecticut's most needy cities -- Bridgeport, Hartford, New Haven, New Britain, Waterbury, New London, Norwich, Norwalk, Meriden, Windham and Hamden.

The proposed increase in the maximum level of state participation of 100% on eligible projects in these communities, in addition to those tax abatements and credits already in place, will help to revitalize the crumbling economic base and infrastructure of our most heavily populated and economically disadvantaged urban areas. This assistance can make an important difference "at the margin."

The second section of the bill details Governor O'Neill's proposal of a 5% investment tax credit on machinery and equipment utilized in manufacturing. This credit against corporate business taxes will improve productivity, increase competitiveness, promote additional capacity and enhance Connecticut's gross state product. Commissioner Meehan will offer more detailed testimony on the investment tax credit in just a few moments.

The Economic Development and Manufacturing Assistance Act of 1990 is legislation on the cutting edge of innovative thinking in the economic development field.

By targeting resources to those industrial and other economic base real estate projects where public dollars can make the difference both in terms of the market soundness of the project and the distress in the local community, Connecticut's economic development assistance will provide a bigger bang for the buck. This, coupled with the state's ability to capture a financial return on the investment of state dollars is an innovative, more business-like approach to Connecticut's economic development in the 1990's.

"Can Connecticut compete in the 1990s?," is a question articulated by many, including the Connecticut Business and Industry Association." My response to this question is yes it can, with the substantial innovations and approaches initiated by Governor O'Neill's economic development strategy for the 1990s. The legislation before you today is a vital step in our efforts to achieve this end.

Thank you for this opportunity to speak before this committee today and I welcome any questions that you may have.

ECONOMIC DEVELOPMENT & MANUFACTURING ASSISTANCE ACT OF 1990

2/21/90

Comparison of Existing Programs vs. New Program

	EXISTING PROGRAMS						
CATEGORY	INDUSTRIAL PARKS	IDEA	URBAN ACT (DED)	URBAN JOBS	TECHNICAL UPGRADING	JOB INCENTIVE	NEW PROGRAM
ELIGIBLE AREAS	Statewide	Statewide	39 Towns	28 Towns	28 Towns	28 Towns	Statewide
PARTNERS	Municipality	Municipality	Municipality	Business	Business	Business	Municipality, profit & non-profit organization
FINANCIAL Type of Assistance	Grants/loans only to companies	Grant / loan	Grant	Abatement & tax credit	Abatement	Grant	Grants, extensions-of-credit, loans, loan guarantees, or combinations; tax abatement/credits in eligible cities
Limit of Assistance	Up to 50% net cost; up to 65% in distressed municipalities	Up to 50% net cost	None	80%, 5-year abatement; 25%, 10-year tax credit	50%, 5-year abatement	$500 per job	Up to 50% gross cost; in eligible cities, up to 100% and tax abatement/credits at current level
Revolving Fund	None	None	None	None	None	None	Yes
Required Minimum Local Share	50%; 35% in distressed communities	50%	None	25% of abatement	25% of abatement	None	50%; none in eligible cities except tax abatements at current level
Return on Investment	None, except possible loan	Possible loan repayment	None	None	None	None	Yes, depending on form of assistance
RESTRICTION ON ACTIVITIES	Must assemble land	Firm commitment of companies	None	Must satisfy specific eligibility criteria	Must satisfy specific eligibility criteria	Must satisfy specific eligibility criteria	No limitations, except broader eligibility criteria
	Buy real estate at no more than fair market value; sell at no less than fair market value	Buy real estate at no more than fair market value; sell at no less than fair market value	None	N/A	N/A	N/A	Real estate: buy at no more than fair market value
INVOLVEMENT IN RE-USE OF EXCESS STATE PROPERTY	No	No	No	No	No	No	Yes
ROLE OF HOST COMMUNITY	Implementing agency	Implementing agency	Implementing agency	None	None	None	Varies by project; if not implementing agency or partner, community to be consulted
PROJECT PLAN REQUIRED	Yes	Yes	No	No	No	No	Yes, but only if land to be assembled
APPLICATION PROCESS REQUIRES REVIEW OF TOTAL NEEDS OF THE BUSINESS (i.e. housing, day care, job training, recycling)	No	No	No	No	No	No	Yes
INVESTMENT TAX CREDIT FOR MANUFACTURERS				No			Yes. 5% credit on machinery and equipment

STATE OF CONNECTICUT

D_PA...ME..T OF REVENU_ SERVICES

JAMES F. MEEHAN
COMMISSIONER

March 19, 1990

TO: The Honorable Frank D. Barrows
The Honorable Shaun McNally
Members of the Planning & Development Committee

FROM: James F. Meehan, Commissioner
Department of Revenue Services

RE: HB 6053 - An Act Adopting the Economic Development and Manufacturing Assistance Act of 1990. Investment Tax Credit Provision.

The Investment Tax Credit provided for in House Bill 6053 will allow Connecticut manufacturers to claim 5% of their cost of purchasing or leasing machinery or equipment as a credit against their Connecticut Corporation Business Tax liability.

Highlights of the tax credit program are as follows:

- All manufacturers with Standard Industrial Classification (SIC) Codes of 2000 to 3999, inclusive, are eligible;
- Credit is 5% of amount invested for installation of machinery or equipment (five-year or seven-year property);
- Credit limited to 50% or taxpayer's tax liability in any one year;
- Excess credit may be carried forward in any successive income year;
- Effective for income years beginning on or after January 1, 1991. Credit not applicable to 1991's first and second estimated tax payments; and
- In the event that a manufacturer chooses to move his equipment out-of-state, or the equipment is no longer in use in a manufacturing facility, the credit would be pro-rated accordingly.

Because the presence of manufacturers in Connecticut has such a positive impact on our state's economy, it is essential that assistance is provided to insure their continuity in Connecticut. The manufacturing sector is responsible for 23% of gross state product, employs almost 370,000 state residents, and accounts for much of the state's export trade. Connecticut manufacturers need to be kept at a competitive level. The investment tax credit will act as an incentive to Connecticut manufacturers to upgrade and expand their current resources to further this goal.

Attached are pie charts showing total tax collections, with corporation business tax revenue versus all other tax revenue (Attachment A), and, as an offshoot, total corporation tax revenue broken down by the manufacturing sector versus all other industry groups (Attachment B). The periods covered reflect fiscal years 1974-75 and 1987-88. The manufacturing industry in Connecticut, which in the mid-seventies was responsible for almost half of the corporation tax paid, was responsible for less than 23% of the corporation tax revenue in fiscal year 1987-88. Based on preliminary data, this percentage appears to be less than 20% for fiscal year 1988-89.

Also, attached is a chart showing corporation tax receipts by industry for fiscal years 1960 through 1987 (Attachment C). Fiscal Year 1984-85 showed extreme growth in the manufacturing sector, with steady decline for fiscal years 1986 and 1987.

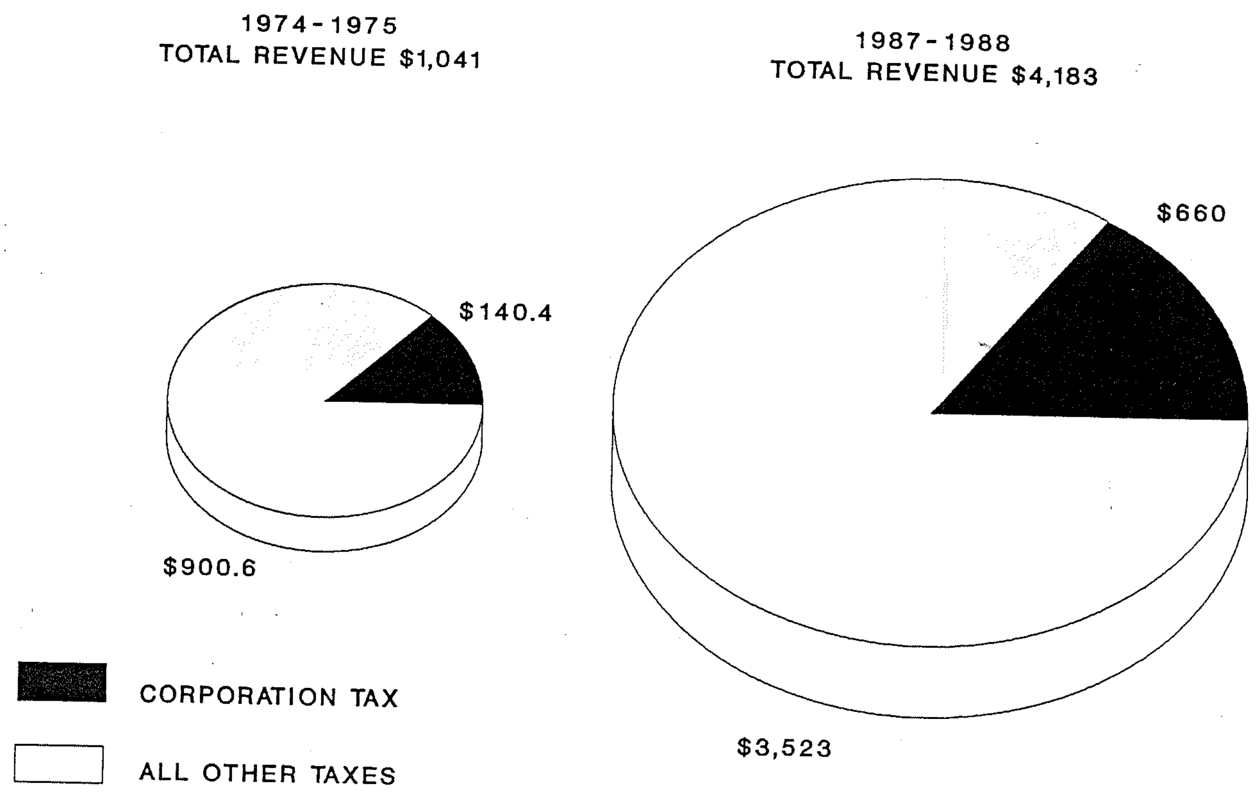
The Department also recognizes the need to measure the effectiveness of this credit. Public Act 89-328 expands the requirements under Section 12-7b of the Connecticut General Statutes which mandates that any change of 10% or $10 million to any state tax base must be monitored. Because the investment tax credit could forego up to $50 million in corporate tax revenue, the tax credit program will be closely tracked.

I urge your favorable consideration of the investment tax credit program as set forth in House Bill 6053. Thank you.

Attachments

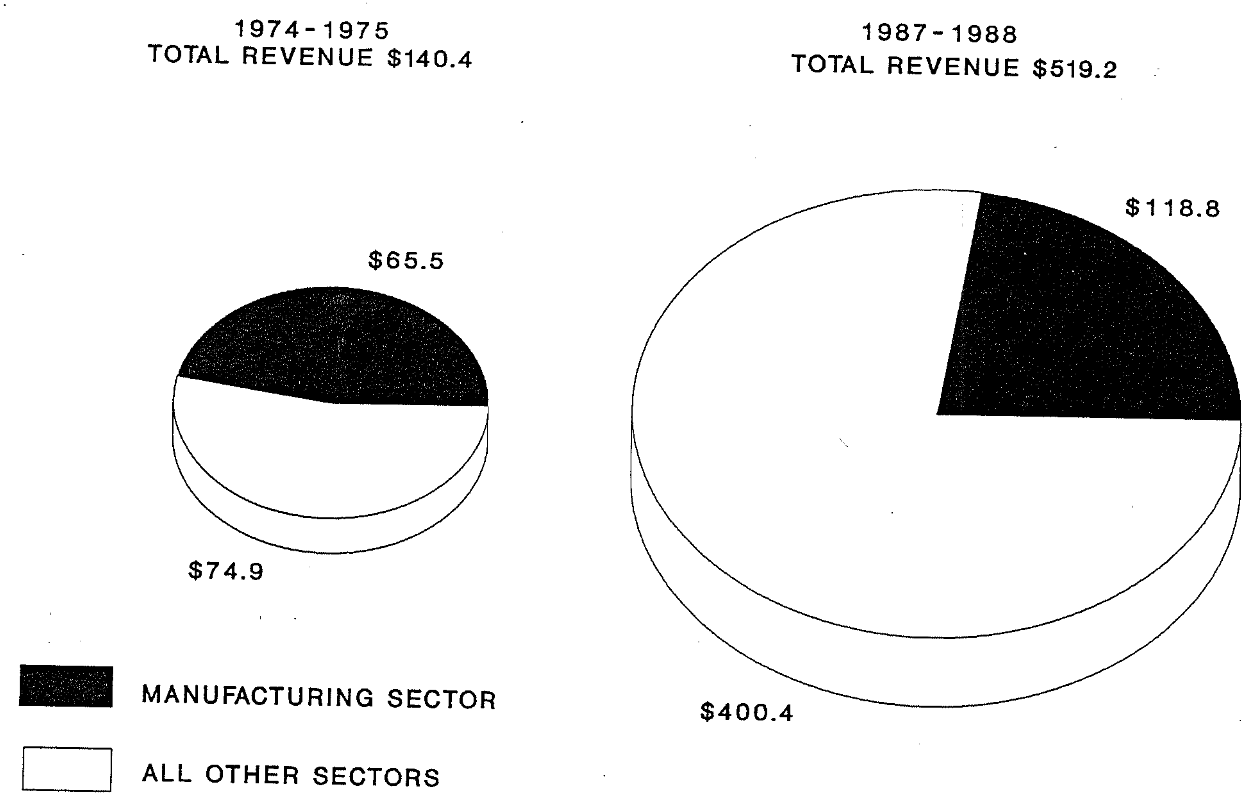
Attachment A

FISCAL YEAF TAX RECEIPTS
1974-75 & 1987-1988
PROP(RTIONAL
MILLI(NS OF DOLLARS



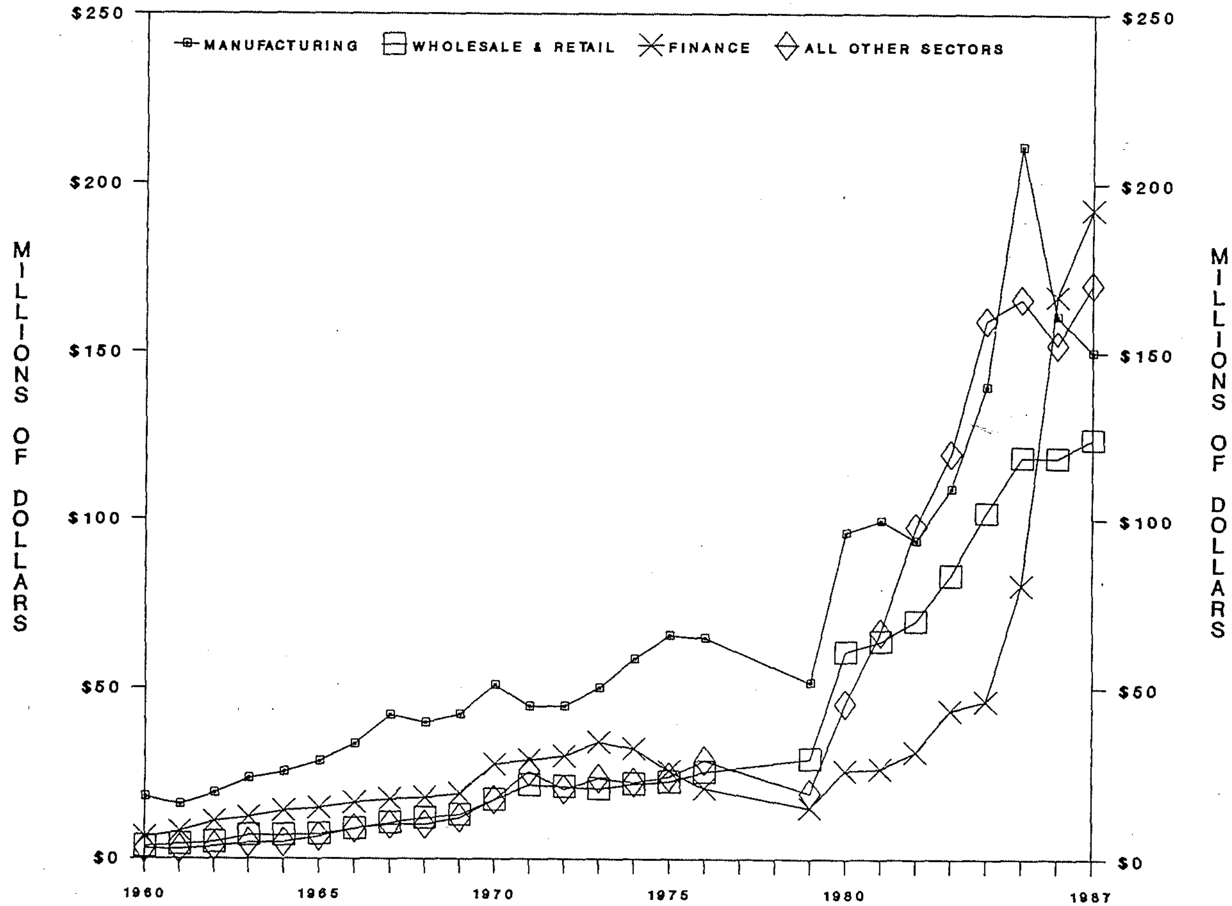
Attachment B

CORPORATION TAX RECEIPTS
FISCAL YEAR 1974-75 & 1987-88
PROPORTIONAL
MILLIONS OF DOLLARS



Attachment C

CORPORATION TAX RECEIPTS - BY INDUSTRIAL SECTOR
FISCAL YEAR 1960 THROUGH FISCAL YEAR 1987



Bill 5895 will help a great deal. It provides for tax credits for manufacturing investment in new machinery and equipment, research and development, and remedial training and education. These incentives relate to the major cost areas mentioned earlier, the ones that are driving manufacturers to consider other areas to expand in.

The tax credit provided for in H.B. 6053, Governor O'Neill's proposal, is an important and necessary first step to improve the climate for manufacturing. However, more needs to be done, for the reasons outlined.

Manufacturers cite the difficulty of finding suitable, well trained labor for the operations. Yet, probably less than half utilize publically sponsored job training programs. Increasingly, manufacturers that are updating their equipment and processes are doing their own in-house training and remedial education. This carries an extra cost of business that reduces their competitiveness with other areas of the country.

A tax credit to manufacturers who provide this training has a direct payback. Manufacturers can more quickly adopt new processes and technologies to compete with others. Employees who might face layoffs because of skill and education deficiencies remain employed and stay productive citizens, off unemployment compensation and not forced to lower paying service sector jobs.

SACIA proposed this credit because it is a vital inducement for a more competitive manufacturing base. It tells manufacturers that the state is willing to shoulder some of the burden of bringing employees up to par. It is something that should have been done with public education anyway.

TESTIMONY OF THOMAS M. BENEDICT
REPRESENTING THE TECHNOLOGY COUNCIL OF THE
GREATER HARTFORD CHAMBER OF COMMERCE
MONDAY, MARCH 19th 1990
PLANNING AND DEVELOPMENT COMMITTEE

Good afternoon, Senator Barrows, Representative McNally, and members of the Planning and Development Committee. My name is Thomas Benedict and I am the Founder and Chairman of the Board of BioPolymers, Inc., the first technology based company to evolve from the University of Connecticut with the assistance of the University of Connecticut Research and Development Corporation.

My company is attempting to develop a new surgical adhesive which will replace sutures and staples in the repair of the human body.

I am here today as a representative of the Chamber's Technology Council Legislative Committee. The Technology Council serves as a catalyst supporting regional technology based companies and activities.

I am here to speak in support of House Bill 6053 "An Act Adopting the Economic Development and Manufacturing Assistance Act of 1990."

BioPolymers was founded in 1985 to develop technologies which emanated from the laboratory of a professor at the University of Connecticut Health Center. In order to set up our own laboratory and begin operations, we had to equip it with fairly sophisticated and expensive equipment in order to ensure that intellectual property problems would not arise if patentable discoveries ensued. This did lead to some duplication of efforts which were being conducted at the University but were unavoidable.

We had several discussions with the former Connecticut Product Development Corporation (now Connecticut Innovations, Inc.) and with Connecticut Development Authority. At that time, we were not eligible, as a start-up company, to participate in their assistance programs.

I believe that House Bill 6053 will expand the opportunities for state assistance to High Technology start-up companies such as several that have spun out of the University in the last few years, and once again make Connecticut an attractive site to set up a fledgling High Technology business.

In the last five years, we have created 25 jobs in the state and contributed, to the local economies by purchasing supplies and services from local vendors. Certainly we do not have the impact of a United Technologies or an Aetna, but we do believe that given our potential markets in the future, we will be able to have a significant impact in our area as we develop our products. But the key factor is survival through the beginning years while awaiting United States Food and Drug Administration approval in order to ensure that we are here to have an impact when approval is granted. This Bill will coordinate the activities of the former Connecticut Development Authority and the present Connecticut Innovations, Inc. in such a manner that small companies may be able to qualify for state assistance.

It is axiomatic that dealing with a government agency is never simple or easy, but dealing with one agency for one project is certainly simpler and easier than dealing with two separate agencies and two separate projects, both of which are required to accomplish one goal. Therefore, I strongly urge that House Bill 6053, "An Act Adopting the Economic Development and Manufacturing Assistance Act of 1990" be passed and implemented as soon as possible.

Thank you for this opportunity to present my experiences.

TESTIMONY OF SALVATORE J. BRANCATI, JR.

CITY OF NEW HAVEN

OFFICE OF BUSINESS DEVELOPMENT

On amendments to an act adopting the Economic Development and Manufacturing Assistance Act of 1990

1990 (Proposed House Bill #6053)

Before the Joint Committee on Planning and Development

March 19, 1990

Members of the Committee on Planning and Development: My name is Salvatore J. Brancati, Jr., I am the Acting Director of the Office of Business Development, City of New Haven.

My office is responsible for economic development in the City of New Haven. We work with the State Department of Economic Development and the Connecticut Development Authority on a daily basis and make use of all the programs that are before you in House Bill #6053. Overall we support the Bill as it provides us with the tools necessary to promote business development. Yet we have two very crucial amendments to the Bill which address the loss of businesses from our urban areas or "Targeted Investment Communities" as they are referred to in the Bill.

We have in New Haven a very active business retention and expansion program jointly run by my office and the Greater New Haven Chamber of Commerce. Last year, we met with over 500 New Haven firms through various outreach efforts to talk frankly about problems they face in operating in the city and opportunities that can be taken advantage of to improve and expand upon their operation.

We do this because too many firms have moved out of the City and the State before we had the opportunity to resolve problems that may have allowed them to stay. The program maintains a priority list of New Haven firms that are considering leaving the City and the State. At this time we have over 20 firms employing 1,900 persons that are considering leaving. Just in personal property taxes alone these firms pay an annual $1.1 million.

While there are many factors that go into a firms decision to leave the City or State, one primary issue is the tremendous burden placed upon them because of excessively high property taxes and their inability to compete with similar firms located in towns and states with drastically lower tax rates on machinery and equipment.

The threat to leave is real, because New Haven lost 19 firms, employing over 800 persons last year to other states and towns. As an example, we have a manufacturing firm employing approximately 350 people which is unable to acquire new equipment necessary for them to remain competitive because they would face personal property taxes of double that found in outlying towns and triple that of what they can find in those Southern and Western states that lure our industries away.

A banking operation last year made the decision to locate a large "back office" credit and billing operation in a low tax community instead of New Haven because the taxes on their equipment would have cost over a hundred thousand dollars more in New Haven. We lost a hundred stable entry-level jobs, the very kind we need for our underemployed and unskilled residents, as well as a source of tax revenue. These are only two of dozens of situations before us right now. I don't have to tell you how dangerous a financial situation we in New Haven and other cities face if we lose both jobs and our primary revenue sources.

We propose two amendments to Bill #6053. These amendments actually strengthen two existing programs that are being consolidated into the Bill. We are not proposing new programs but rather, making changes necessary to respond to the situations I spoke of. The first would amend the property tax exemption for machinery and equipment acquired as part of a technological upgrading of a manufacturing process. This program encourages businesses to invest in new machinery and equipment by partially exempting the personal property taxes for 5 years. The partial exemption helps lessen the high property taxes and puts the cities on a more equal footing with other localities and States.

Our amendment would:

*Allow firms to apply for the benefit for different equipment on an annual basis instead of once in a continuous five year period.

*Expand the eligibility of firms to include those with gross receipts of less than 30 million instead of the current $20 million level.

*Reduce the required purchase of new machinery eligible in any given year to a minimum of $100,000 vs. $200,000

*Increase the fifty percent exemption to eighty percent similar to the Urban Jobs Program

*Expand the eligibility to include a limited number of service sector firms, specifically those now eligible for Enterprise Zone benefits.

The second amendment would amend the "Urban Jobs" program as described in Bill 6053 to include a limited number of service and commercial firms as eligible. These are limited to those now allowed as eligible in the Enterprise Zone Program described in the Bill. These service sector firms have high capital investments and are making relocation and expansion decisions for many of same reasons that manufacturers do.

I strongly urge your consideration of these amendments to the programs. Dollar for dollar the cities and the State come out ahead. It must be treated as an investment. We retain these firms and allow them to grow, we gain jobs, we increase the state and local taxes derived from new machinery and facilities, and we encourage-not discourage-the growth of new firms.

TESTIMONY OF
PFIZER INC.
BY
WILLIAM D. HUHN
SENIOR CORPORATE COUNSEL

BEFORE THE COMMITTEE ON PLANNING & DEVELOPMENT
CONCERNING RAISED BILL 6053

MARCH 19, 1990

Summary of Proposals

1. Raised Bill 6053 - Lines 1183, 1195, 1196. Modify "research and development" to provide "Research and development towards discovery and development of manufactured products, for ..."

2. Raised Bill 6053 - Line 1197. Modify the definition of machinery and equipment to include "for pollution treatment and control at a manufacturing facility;"

3. Sales Tax Exemption for Computer Equipment Used in Manufacturing.

   S.B. 301, or

   NEW - Section 12-412(64) Computer equipment used in manufacturing. Sales and the storage, use or other consumption of computers, automated process control equipment and computer associated machinery directly used in a manufacturing production process.

4. Clarification of Sales Tax Exemption for Electricity Sold to R&D Facilities Related to Manufacturing.

   Sec. 12-412 Exemptions. Taxes imposed by this chapter shall not apply to the gross receipts from the sale of and the storage, use or other consumption in this state with respect to the following items:

   (3) Gas, water, steam, electricity, cable television, telephone and telegraph services. (A) The sale, furnishing or service of gas, including bottled gas, and electricity when delivered to consumers through mains, lines, pipes or bottles. For use (i) in any residential dwelling or (ii) directly in agricultural production, RESEARCH AND DEVELOPMENT DIRECTED TOWARDS DISCOVERY AND DEVELOPMENT OF MANUFACTURED PRODUCTS, fabrication of a finished product to be sold or an industrial manufacturing plant, provided the exemption under this subdivision (ii) shall only be allowed with respect to a metered building, location or premise at which not less than seventy-five per cent of the

gas, including bottled gas, or electricity consumed at such metered building, location or premise is used for the purpose of such <u>RESEARCH,</u> production, fabrication or manufacturing. Bottled gas as used in this subsection means L.P. (propane) gas.

5. Sales Tax Exemption for Personal Property Used in R&D.

NEW - Sec. 12-412(65) <u>Research and Development</u>. Sales of and the storage, use or other consumption of tangible personal property exclusively for use in research and development towards discovery and development of manufactured products.

My name is William D. Huhn. I am Senior Corporate Counsel at Pfizer's facility in Groton. Our operations include a large manufacturing plant and the company's Central Research facilities. Pfizer employs more than 3,300 persons in Groton, with an annual payroll in excess of $150 million. The Groton plant is Pfizer's largest manufacturing facility. It produces 77,000 tons/year of finished product, including 35% of the U.S. supply of penicillin. The research laboratories are Pfizer's primary facilities for discovering and developing new products in the pharmaceutical, agricultural and chemical field.

Before discussing possible additions to Raised Bill 6053, I wish to emphasize the importance of this proposed legislation. The manufacturing sector in Connecticut is struggling for survival, and that is as true of large manufacturing facilities as it is of small ones. I participate actively in several Connecticut manufacturing groups, and there has been a marked change in recent years. Whereas in the past there was grumbling over the problems confronting the manufacturing sector, the mood has changed to one of overwhelming pessimism with respect to long-term viability. Let me emphasize that this is as true of large manufacturing firms as it is of small ones.

As you may be aware, manufacturing in the State of Connecticut presently is threatened by non-competitive costs. The Connecticut tax structure has assigned a disproportionately heavy share of the tax burden to business and industry. The 13.8% tax rate on corporate income is the nation's highest, due in part to a 20% surcharge added to the tax during the 1989 General Assembly session.

The State sales tax rate, raised during the 1989 session to make it the nation's highest, was also extended to apply for the first time to a new list of services provided to manufacturers. Local property taxes are a particularly significant problem for Connecticut manufacturers. Because personal property taxes are assessed against production machinery and equipment, manufacturers in Connecticut are heavily taxed for modernizing their plants.

Energy costs are high in Connecticut, as well as direct and indirect labor costs.

As a result, the State manufacturing base is eroding. Our plant in Groton is struggling to remain competitive.

In March 1988, the Legislative Task Force Report on Manufacturing revealed that manufacturing employment represented 25% of the Connecticut employment base -- down from 53% in 1953. The Task Force concluded that for Connecticut to remain economically healthy, the State must make every effort to preserve the manufacturing jobs we presently have.

We submit that manufacturing, and the research and development that feeds manufacturing, is vitally important to the economy of the State. The manufacturing sector creates numerous other job opportunities.

Although others may argue that Connecticut can thrive as a purely service economy, most people agree that a society must engage in productive activity to truly prosper.

Turning to the specific provisions of Raised Bill 6053, we have several suggestions for the Committee's consideration.

Definition of Manufacturing Facility to Include Research and Development.

The definition at line 1183 should be clarified so that it is clear that research and development activities are within the scope of the legislation. As you may be aware, the Division of Revenue Services frequently interprets tax credits in an exceedingly narrow fashion. It is possible the Revenue Services would interpret "Research and Development directly related to manufacturing" as applicable to only process development. We suggest that Raised Bill 6053 be clarified by adding, at line 1183, the following phrase after the words "research and development": "R&D directed towards discovery and development of products to be manufactured,".

We cannot overstate the importance of research and development to a viable manufacturing sector, for it is from research and development that manufacturing obtains its vital new products. And in Pfizer's case, research and development in Groton is in itself an economic base industry. We have 1,600 employees in our research and development operations, including in excess of 400 employees with Ph.D., M.D., or other graduate degrees, and an additional 700 employees with M.S. or B.S. degrees. In addition to Pfizer, Connecticut's pharmaceutical industry includes Miles Inc. in West Haven; Bristol Meyers in Wallingford; Boehringer-Ingelheim in Ridgefield; A&S Pharmaceutical Corp. in Bridgeport; and Novo Laboratories in Danbury. Obviously this industry, which is based on both research and development and manufacturing, is very important to the State.

If the Committee concurs, the definition of research and development in Raised Bill 6053 should be clarified at lines 1195 and 1196 in the same fashion as suggested for line 1183.

Pollution Control Equipment

Our second suggestion is to include pollution treatment and control equipment within Raised Bill 6053's definition of "machinery and equipment". Specifically, at line 1197, it would be appropriate to insert the phrase "for pollution treatment and control at a manufacturing facility", immediately following the word "manufacturing;".

Expenditures for pollution control are one of the highest priorities for Connecticut's struggling manufacturing sector. At the present time, Sections 12-217(c) and (d) provide 5% pollution control credits, but we submit it would be appropriate to duplicate that credit as part of Raised Bill 6053's proposed manufacturing investment tax credit.

The highest priorities for investment at our manufacturing plant in Groton are five environmental initiatives. An additional investment credit for such facilities would be of substantial help to our efforts.

From our contacts with other manufacturing firms, we know that many companies are faced with similar investments for environmental controls.

Sales Tax Exemption for Computer Equipment Used in Manufacturing.

It is our understanding that the Finance Committee is considering S.B. 301, a bill to expand the sales tax exemption for machinery and equipment to include computers and computer-associated machinery. I'm not sure of the present status of that bill, and whether or not it will be reported out favorably by the Finance Committee. Such an exemption would be very significant for our manufacturing plant in Groton.

Investments in computerized process control are vital to improving the efficiency of our plant operations and increasing product yields. The sales tax on computers and computer-associated machinery is an inappropriate obstacle to modernization of our plant.

We have included a proposed amendment to Section 12-412 in the summary of our proposals on the first page of this testimony, although S.B. 301 may be acceptable or even preferable to our proposal.

Clarification of Sales Tax on Electricity

In 1989 the General Assembly imposed a sales tax on electricity, but provided an exemption in Sec. 12-412(3) for manufacturing facilities, if 75% or more of the electricity is used in manufacturing. The Division of Revenue Services has construed that law narrowly, excluding research and development operations.

We suggest that the exemption should be clarified to include "research and development directed towards discovery and development of products to be manufactured." We have set forth on the summary page at the outset of our testimony proposed amendments to Sec. 12-412(3).

At many facilities in Connecticut, manufacturing and research operations are closely linked. In some cases, it is possible the less than 75% rule could be triggered by the presence of substantial research operations. Since one of the key elements of a healthy manufacturing sector is vigorous research and development, we suggest that "manufacturing" for purposes of Sec. 12-412(3) should also extend to associated research and development operations.

Sales Tax Exemption for Personal Property Used in Manufacturing Research and Development

Another important incentive to manufacturing operations and economic base operations would be to extend a sales tax exemption to personal property used in research and development associated with manufacturing. Manufacturing and research and development are inextricably linked. Manufacturing companies should be encouraged to expand their research and development operations in the State of Connecticut.

We have enclosed a proposed R&D exemption as the fifth item in the summary of our proposals on the first page of this testimony.

Respectfully submitted,

William D. Huhn

William D. Huhn

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NEW BRITAIN GROWING STRONG!

MUNICIPAL ACTION COUNCIL, INC.

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One Central Park Plaza
New Britain, CT 06051
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Testimony of David Prendergast
Executive Director
Municipal Action Council, Inc.
New Britain, CT
3/19/90

TO: PLANNING AND DEVELOPMENT COMMITTEE

RE: ECONOMIC DEVELOPMENT AND MANUFACTURING ASSISTANCE ACT HB 6053.

As Executive Director of the Municipal Action Council, New Britain's local economic development corporation, I have had the opportunity to represent the city with respect to economic development projects undertaken in partnership with the Connecticut Department of Economic Development. Although we have successfully collaborated with the department on various occasions, there were an equal number of situations in which opportunities to strengthen the city's economic base have been foregone because the existing economic development programs did not offer the flexibility and speed necessary to capture a development opportunity. I believe that the Economic Development and Manufacturing Assistance Act will greatly assist New Britain's ability to rebuild its local economy which has been staggered by the loss of major manufacturing firms.

Among the benefits offered by this legislation are the following:

1) It allows the flexibility to increase the level of state assistance provided to a project.

2) It can eliminate the need for the city to actually own an industrial park or industrial reuse site. This avoids placing the city in the chain of ownership and responsibility in the event of the discovery of an environmental hazard. This new program would allow us to get the same job done with much less financial exposure by the municipality.

3) It recognizes the comprehensive factors that are involved in a company's location decision. It will allow us to deal with off-site utility problems or consider job training or daycare needs when attempting to stimulate a economic development project. This philosophy is consistent with the approach that New Britain Mayor Donald DeFronzo takes to economic development, that is, to view the project in a total community context, not as an isolated activity.

4) It gives broader powers to respond to threatened plant closings. New Britain has experienced a string of such closings over the past decades. Current programs respond to opportunities for expansion or business location but they fail to provide flexibility to avert plant closing. The Economic Development and Manufacturing Assistance Act gives the needed flexibility to address threatened plant closings, because it recognizes that the first priority in economic development is keeping the jobs we already have.

I hope that these few illustrations help to clarify the attributes of the Economic Development Assistance Act. The Act offers a dynamic new approach to economic development through a partnership of the state, its cities and other players in the field of economic development. I believe it will help Connecticut face and overcome the new economic challenges of the 1990's.

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Testimony of Raymond W. DelGobbo
Representing The Technology Council of the
Greater Hartford Chamber of Commerce
Monday, March 19th, 1990
Planning and Development Committee

Good afternoon Senator Barrows, Representative McNally and members of the Planning and Development Committee. My name is Raymond W. DelGobbo. I am a partner with Coopers & Lybrand, a recognized big six international accounting firm.

I am here today as a representative from the Chamber of Commerce Technology Council Legislative Committee. The Technology Council serves as a catalyst supportive of regional technology based companies and activities.

I am here today to speak in support of House Bill 6053 :"An Act Adopting the Economic Development and Manufacturing Assistance Act of 1990". Specifically, I am here to comment on the proposed tax incentive provisions.

The major argument in support of a business tax incentives (or any business tax cut) is that it reduces the cost of doing business. In technical jargon the "cost of capital" is lowered.

Opponents of tax incentives might argue that at the federal level, tax incentives have not always paid for themselves i.e. stimulate enough new jobs or investment in capital equipment etc. to compensate for the lower tax revenue to the Treasury. On the state level, however, a several research studies suggest otherwise. Two conclusions are supported by research:

- Firms that have the option of setting up their plant anywhere e.g. certain kinds of manufacturing companies (in contrast to, say McDonald's) will make their decisions in part based on tax considerations.

- Second, if competing states have lower costs of doing business--and taxes may only one of several components in the cost calculation--then the state with the higher costs will lose plants.

In a 1985 study performed by Timothy J. Bartik, "Bartik found that the rate of corporate income tax significantly influences decisions vis a vis new branch locations of Fortune 500 firms.[1]

The phenomenon has been experienced in Connecticut. The increase in the number of World Headquarters located in lower Fairfield County is explained by absence of a personal income tax in Connecticut. The relatively high Connecticut corporation tax has not been a detriment due to the dynamics of the four factor apportionment ratio used for apportioning income to Connecticut. The four factor formula is determined by reference to sales, (double weighted) wages and property in Connecticut over total company sales, wages and property. When applying this four factor formula to a large corporation, the presence of a world headquarters in Connecticut does not normally result in an onerous incremental tax. Moreover, many of these corporations which left New York City actually enjoyed a reduction in state income taxes as the combined New York State and City tax rates exceed the Connecticut rate.

Also, in 1985, Jay L. Helms in studying the level of state personal income found that property and other state and local taxes have a significantly negative effect on personal income and concommitantly, on economic growth.[2]

Waslenko and McGuire also found that income tax trends have significantly adverse effects on state employment growth.[3]

Finally, Papke and Papke,in studying state and local taxes and their attendant effects on business investment locations, found that the after tax rate of return significantly affects capital investment per worker.[4]

In summary, these studies support the argument that tax incentives, taxes, such as the proposed in House Bill 6053, have a favorable effect on business decisions to locate or expand in the state. Therefore, the Technology Council of the Greater Hartford Chamber of Commerce supports House Bill 6053 for all of the reasons stated in Section 2 of the Bill.

FOOTNOTES

[1]Bartik, Timotthy J., "Business Location Decisions in the United States: Estimates of the Effects of Unionization, Taxes, and Other Characteristics of States," Journal of Business and Economic Statistics, Vol. 3, No. 1, 1985.

[2] Helms, L. Jay, "The Effect of State and Local Taxes on Economic Growth: A Time Series-Cross Section Approach," The Review of Economics and Statistics, Vol. LXV, No.3, August 1983.

[3] Wasylenko, Michael and Therese McGuire, "Jobs and Taxes: The Effect of Business Climate on States' Employment Growth Rates," National Tax Journal, Vol. XXXVIII, No. 4, December 1985.

[4] Papke, James A. and Leslie E. Papke, "Measuring Differential State-Local Tax Liabilities and Their Implications for Business Investment Location," National Tax Journal, this issue, 1986.

TESTIMONY OF
JOHN R. RATHGEBER
CONNECTICUT BUSINESS AND INDUSTRY ASSOCIATION
BEFORE THE
PLANNING AND DEVELOPMENT COMMITTEE
LEGISLATIVE OFFICE BUILDING, ROOM 2B
MARCH 19, 1990
1:00 P.M.

HB6053

Good afternoon. My name is John R. Rathgeber. I am executive vice president of Connecticut Business and Industry Association (CBIA). CBIA represents approximately 6,700 companies which employ over 700,000 men and women in Connecticut. Our membership ranges from large industrial corporations to small businesses.

I am here today to offer comments on several of the proposals before this committee, but primarily to urge your support for an investment tax credit for manufacturing machinery and equipment.

Connecticut is currently lagging behind the rest of the nation in terms of capital investment. A recent study by the Corporation for Enterprise Development ranked Connecticut 45th in the nation in investment in plants and equipment in the state.

An investment tax credit would be a positive first step in improving our ranking and in making our economy more competitive in the 1990's. It would encourage our manufacturers to update their equipment, and allow them to compete on a more even footing with companies in other states and overseas. This is extremely important because in a time of high costs and intense competition, our manufacturers need the incentive to keep and expand their plants, and the jobs that go with them, here in Connecticut.

Some will argue that an investment tax credit will cost the state too much money and is not needed in Connecticut. The fact is that capital is flowing out of the state, and something must be done to arrest that flow. And while in the short run a credit would reduce state revenues, in the long run it would likely lead to an increase in economic activity, resulting in higher state and local tax revenue and job expansion.

Local governments would also benefit from an investment tax credit. The replacement of old, fully-depreciated machinery and equipment with new, more high tech equipment would rejuvenate municipalities' list of taxable property. The increase in the grand list for personal property will help hold down property tax rates for other types of property.

Manufacturing is the largest single segment of Connecticut's economy. It accounts for approximately 28 percent of our Gross State Product and employs about 360,000 men and women in Connecticut. Manufacturing is critical to the long-term health of the Connecticut economy, but the high cost of doing business here has discouraged some companies from making investments here. That is why we are asking if Connecticut's economy can compete in the 1990's. We believe that policies such as an investment tax credit will help answer that question in the affirmative.

There are several other proposals before this committee that also deserve your consideration, such as the expansion and consolidation of various incentive programs within the department of economic development, the creation of a manufacturing commission within the department of economic development, the establishment of a permanent commission on business opportunity, and various proposals to deal with diversification of defense-related industries.

Each of these is important in that they bring attention to the difficulties facing our companies and our economy. Specifically, the permanent commission on business opportunity would serve several significant functions. One would be to develop an ongoing strategic plan to expand our economy. Another would be to determine the impact that proposed legislation would have on our economy. Our companies are not just affected by tax policy, but by much of the legislation that is enacted each year.

There is still a great need to aid all Connecticut businesses through workers' compensation reform, controlling health costs, providing more affordable housing, and making the state's education system more accountable. A business opportunity commission could help focus the impact of legislation on these issues, and we urge your support.