PA 14-2

HB5465

House	1319-1436	118
Senate	1220-1290	71
Finance	6-110, 146-147, 378	108
		297

H – 1184

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Are there any -- are there -- before we start our -- restart our business, are there any announcements or introductions? Seeing none, we'll get -- we'll return to the call of the calendar. Will the Clerk please call Calendar Number 289.

THE CLERK:

Yes, Mr. Speaker. Good afternoon. On page 20 of today's calendar, House Calendar 289, Favorable Report of the Joint Standing Committee on Finance, Revenue, and Bonding, substitute House Bill 5465, AN ACT CONCERNING THE CONNECTICUT AEROSPACE REINVESTMENT ACT.

SPEAKER SHARKEY:

Before we begin to call the bill, Representative Williams.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker, and good afternoon. Due to the possible appearance of a conflict of interest, I will be recusing myself from this debate and the vote and I'll be leaving the Chamber for the duration. Thank you.

SPEAKER SHARKEY:

Thank you, sir. The Clerk will so recognize. Representative Betts.

REP. BETTS (78th):

Thank you, Mr. Speaker. I too also will be recusing myself and not participating in the debate and the vote due a -- due to a possible conflict of interest. Thank you.

SPEAKER SHARKEY:

Thank you, sir. Representative Jutila.

REP. JUTILA (37th):

Thank you, Mr. Speaker. In order to avoid any appearance of a possible conflict of interest, I, too, will be recusing myself from any consideration of this bill.

SPEAKER SHARKEY:

Thank you, sir. The Chamber will stand at ease for a moment while the representatives remove themselves from the Chamber.

(Chamber at ease.)

SPEAKER SHARKEY:

And assuming there are still those left in the Chamber who can debate this bill, the Chair recognizes Representative Pat Widlitz, the distinguished Chair of the Finance, Revenue, and Bonding Committee.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker.

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

DEPUTY SPEAKER SHARKEY:

The question is on acceptance of the Joint Committee's Favorable Report and passage of the bill. Will you remark, madam?

REP. WIDLITZ (98th):

Yes. Thank you, Mr. Speaker. 0

Mr. Speaker, the Clerk has a strike all amendment, LCO Number 3765. Will he please call and I'd be allowed to summarize.

SPEAKER SHARKEY:

Will the Clerk please call LCO 3765, which will be designated House Amendment A.

THE CLERK:

House Amendment A, LCO 3765, introduced by Representative Widlitz and Senator Fonfara.

SPEAKER SHARKEY:

The gentlewoman has sought leave of the Chamber to summarize the amendment. Is there objection? Is there objection? Seeing none, you may proceed with summarization, madam.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. The amendment before us actually becomes the bill and I move adoption, Mr. Speaker.

SPEAKER SHARKEY:

The question before the Chamber is adoption. Will you remark, madam?

REP. WIDLITZ (98th):

Yes. Thank you. The amendment, which becomes the bill, actually provides the structure within which a new tax credit exchange program is established and available to large corporations, which meet certain criteria for the purpose of large-scale industrial reinvestment projects. It provides for the use of accumulated, unused, or stranded, as we say, research and development credits to offset future sales and corporate income tax obligations.

The amendment enables an agreement between the state and eligible taxpayers, which meet the following criteria. First, they must be primarily engaged in the manufacturing sector. They must employ at least 15,000 people in the state.

They must have incurred at least $200 million per year in research and development expenses in the state for the full five income years immediately preceding

the data of the application. And they are required to have at least $400 million of accumulated research and development tax credits.

They also must agree to spend at least $1 million over the five years on a -- what we call IRP or industrial reinvestment project.

Specifically, UTC, Connecticut's largest employer, would be eligible to participate in this program and intends to apply to participate in it.

The amendment before us authorized DECD to specify the process to be used for certifying that manufacturers and their proposed IRPs meet the required criteria and also to enter into contracts providing compensation payments for credits in exchange for undertaking the IRP.

The amendment outlines the method of calculating the credit compensation. The eligible taxpayer must certify in the contract the base levels of engineering employment, overall employment, payroll, research, and development, and capital expenditures, and that must be certified within 120 days of the signing of the contract.

Compensation will be determined on a sliding scale depending upon the increase or decrease of those

four criteria on a weighted basis.

The amendment also imposes a $400 million total limit for all payments made by the state. It imposes the following annual limits for payments made by the state, which would be spread out over 14 years.

For the first five years of the contract, there will be a cap of $20 million per year that will be allowed against these credits. And following that, for the remainder of -- of the years, year six through 14, no more than $33.334 million per year would be allowed.

There are actually two sections to the amendment, one that deals with the large industrial reinvestment projects. That would involve Pratt & Whitney; United Technology Aerospace Systems; and United Technology, the Research Center, which would be segments of the overall project whereby the taxpayer could receive more than $200 million in credits.

The overall limit for all of the segments within that project in that section is $375 million. The second section is in regards to Sikorsky and would be smaller investment IRPs. That segment could receive no more than $50 million total and the way those would be determined, there are two factors. One would be by

the research and development expenditures of $1 million.

I'm sorry, they could be eligible for $1 million in state payments for every R&D project that exceeds both $10 million in cost and retains at least 100 employees, or for capital expenditures, the state reimbursement of 40 percent for capital expenditures that exceed $1 million in value. And again, this section would be subject to a $50 million limit.

The sunset date for DCD to enter any of these contracts would be June 30, 2015. So this is going to happen quickly within the next year.

Just to emphasize the importance of the economic activity that will be generated by this agreement and contract, I'd like to outline some of the plans that UTC has for economic development.

Pratt & Whitney's new -- there will be a Pratt & Whitney new 425,000 square foot headquarters and engineering facility on the East Hartford campus. That will attract global engineering talent and be a collaboration hub for Pratt & Whitney's manufacturing facilities around the world.

The Pratt & Whitney engineering building was built in 1962. The headquarters building was

constructed in 1930 during the Depression. UTC needs to upgrade these facilities to remain competitive and to attract a world-renown scientist.

Another project, the state of the art United Technologies Research Center will include 100,000 square feet of new and refurbished lab and office space designed to facilitate research and advance product and manufacturing technologies, enable collaboration between UTC and university researchers, and help UTC attract top scientists and engineers from around the world.

Also, the renovated United Technologies Aerospace Systems facility in Windsor Locks will include a world-class customer-training center, cutting edge engineering labs, and newly renovated workspace for professional staff. The 500 square foot space will house 3,000 employees and enable the company to train hundreds of customers every year from around the world.

Sikorsky's improvements will include upgrades to its advanced engineering labs and its state of the art simulator for the new S-97 RAIDER and other developmental programs, including the joint multi-role helicopter.

UTC has nearly 2,500 direct suppliers across the State of Connecticut. Nearly 700 of these suppliers have each provided more than $100,000 in goods and services to UTC over the past year. This is an impact on our entire state.

The agreement is expected to have an impact on 75,000 jobs in Connecticut and is expected to create nearly 1,500 construction and related jobs throughout the initial capital expansion.

I'd just like to comment. There are very few bills that get the support of CBIA and the labor community that pass through the Finance Committee with not one single vote against to give you an idea of the enthusiasm for this bill. This legislation is one of the most significant actions the legislator will take this session.

It guarantees Pratt & Whitney's global headquarters will stay in Connecticut for at least the next 15 years and Sikorsky for at least the next five years.

These investments will attract the best engineers and scientists and provide our Connecticut University students with high paying job opportunities right here in Connecticut. And I urge all of my colleagues to

support the bill. Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you, madam. The question before the Chamber is adoption of House Amendment Schedule A. Will you remark further on the amendment? Will you remark further on the amendment? If not, I will try your minds. All those in favor, please signify by saying Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER RYAN:

Opposed, nay. The Ayes have it and the amendment is adopted. Will you remark further on the bill as amended? Will you remark further on the bill as amended? If not, okay. A little faster. Okay. Representative Sampson of the 80th. Sir, you have the floor.

REP. SAMPSON (80th):

Thank you, Mr. Speaker. Caught me a little by surprise there. I had figured there was going to be a number of people speaking on this bill and I was just here putting my thoughts together to be prepared to speak and I'm not quite done, but I'll have to manage with what I've got figured out thus far.

Mr. Speaker, I rise in opposition to this bill and I intend to be brief, but to the point. I have a number of questions about the details of the agreement, but that's not really what I want to say. The fact is that we are not businessmen here in the capacity of negotiating a business deal.

We are here as legislators and we are here obligating to uphold the rule of law and to defend the constitutions of the state and the United -- the United States and the State of Connecticut. And we're also supposed to be looking out for the interests of every citizen of the State of Connecticut as individuals.

Mr. Speaker, I believe this type of policy is a symptom and it's a symptom of a poorly run state economy. There are other states in this country that have thriving economies; South Carolina, Texas. And what's interesting about those states is they don't have policies like this and the reason is they don't need to have policies like this. The fact is that businesses choose to operate in those states because they have an environment that is conducive to businesses wanting to operate there.

I was just asked a moment ago if I would think

that it would be a good idea to reduce the corporate tax in Connecticut and I said of course, yes. But I don't believe that's a fair comparison to this bill because the difference is we are only reducing the tax bill for one company and I think that's completely unfair.

There have been similar policies that have been enacted in recent years, including the First Five Program and Jackson Labs. I sincerely appreciate the idea behind trying to grow jobs in the State of Connecticut. In fact, I think that is a large measure of why we are all here, why we all ran for office, why we -- we continue to serve, is because we want to make Connecticut a better place.

But in my mind, the way we make Connecticut a better place is by making it a better place for everyone and not picking and choosing who we are going to single out and treat them better. Around my district, I had a lot of people ask me why I was opposed to the First Five Program when that came out and I told them very simply the fact is that that might benefit those companies that are involved.

But it's happening at the expense of my own town and my own taxpayers and the businesses that are in

that town. Because after all, we are the ones footing the bill so that someone else can have a tax break. And yes, it might create jobs, but it's not happening fairly.

So really, Mr. Speaker, this is a question about whether or not we think it is acceptable policy for us a body to manipulate the economy to determine who is going to succeed and who is going to lose. I believe it's the exact opposite of what we should be doing, which is to be trying to create a better Connecticut economy for all businesses so that everyone can succeed.

And for those reasons, I am going to vote in opposition to the bill, Mr. Speaker. Thank you.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Representative Lavielle of the 143rd. Ma'am, you have the floor.

REP. LAVIELLE (143rd):

Thank you, Mr. Speaker. Over here. Good afternoon.

DEPUTY SPEAKER RYAN:

Good afternoon, ma'am.

REP. LAVIELLE (143rd):

I have a few questions for the proponent of the

bill, please.

DEPUTY SPEAKER RYAN:

Please proceed, ma'am.

REP. LAVIELLE (143rd):

Thank you. One of the questions that came up very frequently during the process when we were first brief on this bill in the Commerce Committee was the possibility that this was a model that would go beyond UTC, would it or could it, once this -- were this bill to pass.

The phrase that was used by a number of people in the information hearing was is this a blank check? Can the DECD Commissioner offer similar deals to other companies? Does this bill allow for that possibility? And that was particularly focused on the idea of using tax credits against sales tax as opposed to income tax.

So that is my question to the good Chair of Finance. Is it at all possible that what is proposed in this bill could be -- and -- and with the passage of this bill, could be used for another company besides UTC? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. Actually, UTC is the largest employer in the state and the only one that would actually meet the criteria within this particular piece of legislation.

Any further agreement or contract that would be entered into would have to come back to the Legislature to go through the same process all over again. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. So in other words, this bill proposes a measure that would apply only and uniquely to UTC. Through you.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, that is correct.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. So with the -- the use of these tax credits, I'm interested in exactly how it would work.

Does UTC make a purchase, get charged the sale tax -- the sales tax, and then pay less or does it pay the complete sales tax and then get, if you will, a sort of rebate or refund on that sales tax at the end of the year from the state? How exactly does it work? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, most likely they will tax up front and then get reimbursed for it later after the expenditure. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you, Mr. Speaker, and is the -- I should probably known this, but is the amount that they pay in sales tax that -- again, this is counted against, that is all public information? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, no, that would not be

public information.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

But we would know at the end of the year how much of the potential $20 million a year in tax credits they were taking? Would that be public? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Well, we would certainly -- through you, Mr. Speaker, we would certainly have to know that so we could plan for our -- our revenue projections in the budget. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. So in other words, we would -- we would know that they paid at least as much in sales tax necessary to take the -- the amount of tax credits they were taking, and then after that, we wouldn't know because that would be part of their financials as -- as public company? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, that is correct.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. And that leads me to another related question. What is provided in the language of the bill in terms of the regular reporting on the progress -- I'm not sure I should say progress, but the -- the evolution of these circumstances and -- and the -- the tax credits taken by UTC, et cetera over the years and their progress on building and investment?

What is provided to the General Assembly and in what matter in terms of reporting on these things? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, the Commissioner of Economic, Community, and Economic Development is required to give a report to the Finance Committee on exactly those details. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you and -- and that's at what frequency?

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, it is annually.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you very much. How did the state and UTC arrive at the figure of $400 million in tax credits? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN;

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, my understanding is there has been a very long intense negotiation and UTC has actually accumulated hundreds and hundreds of credits that are stranded, that we do not allow them to -- to use. So this is a way of allowing them to free up those credits, to promote economic development. And, as I mentioned, the cost to the

state is spread out over 14 years, so it doesn't impact us too much in any one particular year. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you, Mr. Speaker, and I thank the representative for her answer. I was actually after how we arrived at the precise figure of $400 million for the duration. Through you.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

I don't -- I do not have -- through you, Mr. Speaker, I was not part of the negotiation, so I'm afraid I don't have that information for you. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you and the -- the parties who were directly involved in the negotiation on behalf of the state were, I would imagine, the DECD Commissioner and who else? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, OPM, Office of Policy and Management on behalf of the Governor. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you very much, Mr. Speaker. Another question I have, do we happen to know, and I appreciate that we may not, do we happen to know whether UTC at the time of the negotiations or at any time during the negotiations, was considering building new facilities somewhere besides Connecticut or whether there were other offers that UTC was considering? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. I do not personally know of any discussion that they had. However, the intent of this bill is to be a jobs retention bill and to keep UTC here in Connecticut. They are faced with an

aging workforce, especially in the Department of Engineering, and we have been working with the University of Connecticut Engineering School to promote educating our people in Connecticut to fill these types of jobs. This offer is an opportunity to -- a little incentive to keep them here, to keep them interested in being in Connecticut, for many reasons.

But they certainly have other places they could have gone and they certainly have a workforce in other areas of the country. So we are very pleased to have this arrangement, this agreement, which will be in the form of a contract with them that will maintain their global headquarters for Pratt & Whitney here and have a place for our young people to go through our educational system and get good paying jobs right here in Connecticut. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. Was there anything in particular that actually provoked the opening of negotiations that the good representative knows of, through you, Mr. Speaker?

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, I -- I don't have that. I don't have an answer for you for that. I'm sorry.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. I know that at the time -- and I don't remember the precise number, but at the time that we began hearing that this transaction was in the offing, this agreement I should say was in the offing, we also heard that Sikorsky, which is a subsidiary of UTC, was laying off I think it was somewhere between 80 and 100 people, but I may be wrong about that.

And when we look at the idea of a baseline, in other words the number of employees, which is sort of ground zero for this deal, upon which UTC is meant to build when it creates jobs or can -- is allowed to lay off a certain number of jobs and have this still hold, does that baseline start from Sikorsky having less people from the -- the -- in other words, does it start from Sikorsky minus those 80 or 100 people or does it assume that Sikorsky would replenish before we reach the baseline? I hope that was clear. Through

you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. I'll -- I'll take a try at that one. There are two separate sections of the bill. The second section refers to Sikorsky. As you know, there have been -- it's difficult projecting what the government contracts are going to be and there have been layoffs at Sikorsky.

However, they are proceeding ahead with bidding for helicopters, military helicopters. I believe the presidential helicopter as well. And so there is a different requirement for smaller types of projects, investment projects, at Sikorsky, and, as I mentioned before, in order to -- they would be capped at $50 million for that particular section.

So the -- the employment figures that you will see on the chart are relating to section A of the bill as the overall UTC subsidiaries that are participating in this contract. Not -- not just Sikorsky or just one division. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. So from that, I take it that Sikorsky is then in -- Sikorsky's total universe of employees is included in that overall UTC or is it treated completely separately for the entirety of the agreement? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, no. Actually, Sikorsky is not included in that. They -- it's in a separate section. The -- the other section, section A, that includes the entities that I mentioned relate to the employment numbers. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. And there -- as I remember, there were a couple of competitive advantages that -- that we were briefed on that the other subsidiaries of UTC were developing and that -- again, I -- I remember that there was less optimism vis-a-vis Sikorsky because it's so unpredictable, but the rest of UTC, there were a couple of patents in process or there

were a couple of new products. If the Chair of Finance could remind us? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, yes. UTC does commercial airline work. They sell airline components all over the world. So it's a very different comparison when you look at Sikorsky, that basically does government contracts.

Specific -- the specific projects that they're working on, I remember hearing about them. I cannot remember exactly what they were at this moment, but they -- they have a -- a great deal of excitement about projects that they are working on that will be in demand around the world.

Through you, Mr. Speaker -- a new Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you. Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you, Mr. Speaker. Good afternoon.

DEPUTY SPEAKER BERGER:

Good afternoon, ma'am.

REP. LAVIELLE (143rd):

Now, I have lost my train of thought.

DEPUTY SPEAKER BERGER:

I didn't -- I didn't know I had that effect on you, Representative.

REP. LAVIELLE (143rd):

It was your sudden transformation that did it to me.

DEPUTY SPEAKER BERGER:

Thank you.

REP. LAVIELLE (143rd):

Okay. Right. Yes. I -- I do have one further question for the good Chair of the Finance Committee.

DEPUTY SPEAKER BERGER:

Please proceed, Representative.

REP. LAVIELLE (143rd):

Which is have we -- would you be -- would she be able to give us a very brief recall of the tenure of analyst, financial analyst, projections for the performance of UTC over the next three to five years? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, relating specifically

to this agreement and this contract, UTC will be planning on spending about $4 billion in the next five years constructing these facilities that are planned.

As far as -- are you -- I -- I'm not sure if you're asking me what the future outlook is for -- for UTC. That's -- I hope that it's very good. That's the best I can give you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you. Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you, Mr. Speaker. I can clarify that. What I -- what I was asking was basically does the financial community in general seem to be optimistic about UTC's chances of being profitable over the next three to five years? Through you.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker, and thank you for the clarification. That is a resounding yes and we are very excited about keeping them in Connecticut and their expansion in Connecticut. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you. Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. And I -- and I thank the Chair of Finance for her answers. I won't trouble her with -- with further questions. But I would like to make a couple of remarks.

DEPUTY SPEAKER BERGER:

Please proceed.

REP. LAVIELLE (143rd):

Thank you. One of the things that I have found troubling in the economic development policies of -- of the state in the last two or three years, and I have shared this with -- with the DECD Commissioner and she's been very kind and we've had long talks about it, is that ultimately, when the state engages in a very complex agreement of high value with a particular business, there is only so much information to which we, as a general assembly, have access.

And that has always disturbed me because whatever we do, we are using taxpayer money or we are not providing as much revenue for taxpayer services as we might; whatever.

We are custodians of that money and we don't generally have all the tools we need to do that job

properly. If we were -- if were portfolio managers and we had to deal with the information we have, we could never make intelligent decisions.

There are -- as we've seen from the questioning, there is some gaps in the information that we can have and in terms of the reporting that we get. There's much more we could get, but that is not provided for because we are dealing with companies that have information that they are not legally obligated to publish.

So we have -- we have some trouble there that we don't always have access to things that financial consultants might. Another thing is that we find ourselves in a position to be giving companies, one after the other, incentives to stay in Connecticut and not go anywhere else. It's what I've heard the Administration and the Department of Economic and Community Development call playing defense.

And I have to wonder why we would have to play defense if the environment here was so hospitable to business. So there must be something that isn't right. There must be something else that we should be doing.

This particular agreement stands out from some of

the others that we've done recently because we are not actually giving loans, giving grants, providing that kind of incentive. UTC is a very long-standing Connecticut employer and an important one and it is doing something more than just promising jobs, the caliber of which is not certain.

It's -- it's doing more than that. It is guaranteeing that there will be certain types of jobs in different categories and they are building what you might call a -- well, PPE; plant, property, and equipment, infrastructure, et cetera. It does stand out. It's -- it isn't the same kind of thing we've seen with the First Five Program.

All of that said, I -- I -- so I understand why it came out of the Finance Committee unanimously, but in the past three years, I believe we've committed to over $240 million in incentives for companies to have them stay here, not to get them to come, but to have them stay here and have them move from one city to another.

And as an economic development policy, it's exactly the opposite of what almost every business tells us we should be doing, which is to be making the conditions and circumstances in this state easier for

all businesses across the board, lowering their costs, which you do in great part through taxes, to make Connecticut more attractive than its neighboring states and other states.

We are not doing that and without doing that, it's very difficult to see how Connecticut can be competitive vis-a-vis the rest of this region and the rest of the country and also how Connecticut, honestly, can stop playing defense. Because it seems that we have to play defense all the time.

This may be a very legitimate deal and there's a lot about it that I think probably makes good sense. I would offer, however, one cautionary note.

Given the economic development policy that we seem to have been -- I say we, that the state has been practicing for the last three to four years of providing particular one-shot incentives to individual companies, not lowering their structural costs, I would hate to see this deal suddenly become a kind of political centerpiece for an overall economic development policy that really does not resemble what we're doing with this agreement.

This is a stand-alone deal. It's very different from the First Five or anything else. So I don't want

to see it become that political centerpiece and that flagship to say look at all the other wonderful things that the state has done. Thank you very much, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you, Representative. Will you comment further? Representative Smith of the 108th, sir.

REP. SMITH (108th):

Thank you, Mr. Speaker. Just a few questions, if I may, to the proponent.

DEPUTY SPEAKER BERGER:

Representative Widlitz, please prepare yourself. Representative Smith, please proceed.

REP. SMITH (108th):

I'm trying to get my hands around the math surrounding this transaction and as I look at it, I understand there's a $500 million investment by UTC and I'll stop there. It's just -- is there a certain timeframe in which the capital improvements have to be made, through you, Mr. Speaker?

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Yes. Through you, Mr. Speaker, it is five years.

DEPUTY SPEAKER BERGER:

Representative Smith.

REP. SMITH (108th):

And in exchange for the $500 million in improvements, the State of Connecticut, as I understand this, and I'm looking at it for the first time, the state would allow UTC to use up $400 million in standard credits against other tax liabilities. Is that correct? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you. Yes, Mr. Speaker, that would be against the corporate tax and the sales tax. Through you.

DEPUTY SPEAKER BERGER:

Thank you. Representative Smith.

REP. SMITH (108th):

And the corporate tax and the sales tax, those credits are offsets that are allowed under this deal are -- are different in nature than the tax credits that had been given to UTC in prior deals, is that accurate, through you, Mr. Speaker?

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, yes. There is no credit against the sales tax. That is -- that is new, specific to this project. Also, in statute currently, we have restrictions on the percentage of credits that can be used against corporate income and we have all different types of ways of evaluating tax credits and allowing them. This actually frees this particular project from those limits. What we're actually doing is letting them use the -- the sales -- the credits they have already earned beyond what we are allowing them to use in current statute. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Smith.

REP. SMITH (108th):

And I -- and I thank the Chairman for her explanation of that. So just to take that a step further then, the -- the tax credits that we're now allowing them to use against sales taxes, up to the tune of $400 million, that is money that the State of

Connecticut, but for this deal, would have received. Is that correct? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker. That's correct.

DEPUTY SPEAKER BERGER:

Representative.

REP. SMITH (108th):

So if we take the $500 million of capital improvements and then offset that by $400 million that UTC will save by not having to pay the sales tax that they would have otherwise been obligated to pay, is it fair to say that the net transaction to them is $100 million? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, yes, that is correct. But they may not -- they may not use all $400 million of the tax credits. They will have to meet certain criteria in order to be able to use those. So that would be a maximum that they could benefit from from

the credits. And again, the credits are against the corporate tax and the sales tax. Through you.

DEPUTY SPEAKER BERGER:

Representative Smith.

REP. SMITH (108th):

And if they fail to use the credits during a certain year, can they carry that over throughout the term of this agreement or is it just limited to -- if they -- if they don't use it they lose it type of deal? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, there is a schedule.

In the first five years, they may not -- we may not credit them with any more than $20 million per year. The duration of this contract is for 14 years. So over the first five years, the revenue loss to the state is capped at $20 million per year.

From there on out, it's a little over $333 million per year for the remaining time, at which point what the -- we expect there will be a lot more economic activity generated from -- from these projects. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Smith.

REP. SMITH (108th):

And again, I -- I thank the Chairwoman for her explanation. The -- I'm not sure if -- if I got the answer or not. I -- I may have just -- just didn't hear it, but are they able to carry the -- the credit over from year to year or is it lose it or use it? I -- I'm not sure if I heard the answer, although it may have been given. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, yes. I'm sorry; I misunderstood the question initially. If they have credits for more than the $20 million in one year, they can carry that over to the next year. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Smith.

REP. SMITH (108th):

Thank you. And -- I'm sorry, did you say can or cannot?

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

I'm shaking my head. That doesn't do well for the record, does it? They can. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you. Representative -- Representative Smith.

REP. SMITH (108th):

Thank you. And just a few more questions, if I may, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Please proceed.

REP. SMITH (108th):

The -- is there any requirement -- and I heard some dialog and questions back and forth about employees and -- and naturally, I'm sure this will generate some employees in terms of the capital improvements and certainly help the economy for the State of Connecticut.

But I know in some of the other transactions and deals we've had with other programs that have been passed through this Chamber that we require that

particular company to hire a certain number of employees per year or over the term of the contract.

Do we have that language in this bill? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, no. There is not a specific requirement to hire a certain number of employees. Actually, I think I may have touched on this before, that especially in the engineering field, many of the -- the employees are aging out.

So it's my understanding that they're already hiring to the tune of, like, 600 more employees per year just to maintain the levels they have as -- as the -- as people retire from -- from that profession.

So the credits are based on a group of four factors; the number of employees is only one of those factors. It's also engineers specifically, overall employees, payroll, and research and development expenditures, and capital expenditures.

So each one of those areas has a weighting factor -- is a weighting factor on which the credits are based. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Smith.

REP. SMITH (108th):

And again, I thank the Chairwoman for the explanation. You know, that's where I got confused when I was looking at this bill. We start to get into weighting factors and it reminded me of math class and it all went downhill very fast.

So I -- I appreciate that explanation to -- I'm not sure what weighting factors are equated to each, but the fact that they're weighted is good enough for me at this point.

Just -- and just to follow up on the question I had about the requirement to hire a certain number of employees, which I understand there is no requirement, just to take the flip side of that.

If UTC -- and again, it doesn't seem like this would happen because they're making $500 million of investments and capital improvements into the state, but if things got worse here in Connecticut and they wanted to lay a certain number of employees off, is there any restrictions here on how many or any at all in terms of employees that they might be able to lay off? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, I think the best way I can explain this is that in the contract, there will certified a base number of current employees. Should they go below that they will be eligible for fewer tax credits. If they go above it, they will be eligible for increased tax benefits over what that base number is.

It all gets a little complicated, but that's one of the four factors. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Smith.

REP. SMITH (108th):

And -- and that's helpful. Thank you for that answer. At least, we just -- I guess to one further question, if they hire a certain number of employees so now that they're, you know, it's -- it's above and beyond the base level and they get further tax credits, can it be ever higher than the $400 million or is that the base as well? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

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Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, it's capped at the $400 million. Through you.

DEPUTY SPEAKER BERGER:

Representative Smith.

REP. SMITH (108th):

Mr. Chairman, I want to thank the Chairwoman of the Finance Committee for her answers and explanation. It was very helpful to me. I -- I do have some reservations about the bill itself, only because of the fact that we're dealing with one company, even though it's the largest employer, perhaps other than the State of Connecticut, in our state.

I like the idea of putting more investment into the state. I do not like the pay to stay attitude or the policies that this state has taken on over the past four years since I've been here.

So I'll continue to listen to the debate. It's an interesting concept. I think we need business here. I'm not sure that we should be paying people to -- to bring them here. I think there's other ways, but I have an open mind so I'll continue to listen. Thank you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you, Representative. Representative Alberts of the 50th. Sir, you have the floor.

REP. ALBERTS (50th):

Good afternoon, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Good afternoon, sir.

REP. ALBERTS (50th):

If I may, several questions to the proponent of the bill.

DEPUTY SPEAKER BERGER:

Please proceed, Representative.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. In the bill that's before us, there are several references to the word engineer and I just want to make sure that I fully understand the educational level. That would be an individual who's attained at least a bachelor's degree? Is that not correct, through you, Mr. Speaker?

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, that is correct.

DEPUTY SPEAKER BERGER:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. And when we're talking about employee levels, am I to understand that is all in levels of employees by full-time equivalent? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, it is my understanding that it also includes a number of part-time employees. There are very few in proportion to the overall number, but it includes all employees. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. And when we use the word employees, because I know corporations are doing more and more outsourcing, when we use that phrase, is that specifically formal employees of the company not to include contracted individuals? Is that correct? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, that does not include any outsourcing. It is employees within UTC. Through you.

DEPUTY SPEAKER BERGER:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. And I do thank the proponent for her answers. I am not generally a supporter of bills like this, as many of my colleagues are not supporters, but in a state that has one of the highest corporate tax structures in the nation, I find that what we're doing here to be the only way that we can reach out to a company like United Technologies to help them stay and grow in the state.

I did have the good fortune in November to attend the University of Connecticut, where UTC announced the $10 million investment in advanced engineering school. And I think UTC has been, by and large, a very good supporter of our state.

These are going to be very good quality jobs that we're going to be retaining in the state and I will look to support this bill. Thank you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you, Representative. Representative Candelora of the 86th. Sir, you have the floor.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. Mr. Speaker, if I may, a quick question to the proponent of the bill.

DEPUTY SPEAKER BERGER:

Please proceed, Representative.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. In the provisions of the bill, the -- the tax credits that are being awarded through the contract, those credits, as I believe I'm reading it, seem to be calculated by the DECD Commissioner. And I was just wondering, there is some language here about communications to DRS.

If just -- logistically, if we could get a summary of how we figure out the -- the benchmarks that are met in terms of once those benchmarks are calculated and the tax credits are ascertained, how that flow of information goes back and forth, how DECD inter works with DRS. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, there is a reporting requirement in the language for the Commissioner of DECD to communicate with the Department of Revenue Services on the amount of credits. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. And through you, Mr. Speaker, there is some concerns about enforcement under this contract or monitoring. Will the contract have provisions -- or -- or has DECD made representations that there will be people in place to monitor this contract to make sure that the benchmarks are reached or not reached? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. Through you, it is common practice of DECD to audit all of these -- these

contracts to make sure that everything is going along as it's intended to. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker, and I appreciate the good representative from Guildford's answers to my questions. I had some concerns. Obviously, I think when we're ever looking at tax dollars and how they're being distributed, I think we all take pause with these type of deals within the State of Connecticut.

I think in particular, where I initially had some pause, is just historically where we have gone in the State of Connecticut with, in particular, like the First Five Program. I think that that direction of -- of corporate welfare are programs that don't work in the State of Connecticut, that picks winners and losers, and I think is very dangerous. And I -- I certainly don't agree with those policies.

I think what we have going on here, what I struggled with and thought about, is this actually demonstrates the value of our tax credit system that so many of us fight very hard for in the Chamber.

This is a company that has accumulated research and -- and design tax credits over the course of many years.

They cannot realize the full amount of those tax credits, in my mind because the State of Connecticut broke its promise and had to cap it because we hit hard times. And so many times we do those things, where we offer something out and then we need to retract it in order to try to balance a budget.

And typically, corporations have come to the plate and they end up sharing in that sacrifice, as we hear so much about, and -- and step to the plate.

I think here what we're attempting to do is to allow the tax credit system to work in a way that it should, and that is allowing the company to take its money and reinvest in capital in the State of Connecticut.

I think that if we had not seen the impacts of the -- the negative impacts of the First Five Program over the last couple of years, this vote may not be as much of a struggle.

And I think -- I'm hopeful that the success of this event will lead us to have greater faith in our tax credit system and greater faith in our corporate structure and show people that are anti-business that

companies actually can grow and reinvest in the State of Connecticut and these are the economic engines and these are the companies that create jobs.

I think one of the good things that this bill provides for us is the benefit of -- of keeping UTC in the State of Connecticut and not having to look at the question of what if UTC leaves and what impact that would -- would have.

I'm always shocked when I go to different manufacturing companies, not just throughout the state, but just within my own district, and how some way they do business with UTC. It's sort of the six degrees of separation we hear about.

I think UTC has been tied to the State of Connecticut in so many different ways and if they did leave, I do wonder what impact that would have. How many small manufacturing companies would be -- very quickly go out of business without having that structure around them?

And so I'm very thankful that we are seeing that there is a future for UTC. And I also believe that, like I said, we're giving an opportunity for a company to utilize tax credits that they have earned within the State of Connecticut.

And so while certainly there's always great reservation to stand up and support a proposal that once this bill gets voted on in this Chamber, it is out of our hands and left up to the agencies to administer.

I think the intent of this bill is an important one for the State of Connecticut and I support it and Finance and certainly going to continue to support it on the House floor. Thank you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you, Representative. Representative Srinivasan of the 31st. Sir, you have the floor.

REP. SRINIVASAN (31st):

Thank you, Mr. Speaker. Good afternoon, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Good afternoon, sir.

REP. SRINIVASAN (31st):

I, too, rise here in strong support of the bill that we have in front of us in the floor of the House. Knowing the importance of keeping a business here in Connecticut, knowing that we need to have these high paying jobs in Connecticut, and the ripple effect, the ripple -- positive effect of a giant that we are

talking about here in terms of the various other industries that would be involved because of retaining this company in our state is very important, very crucial to all of us given the job market we are in, given our current economy.

And so that is the reason, Mr. Chair, that -- that I voted for this in Finance and I'll definitely plan to do that this afternoon as well. But through you, Mr. Speaker, if I'm allowed to ask a few questions of our esteemed Chairwoman out of Finance Committee.

DEPUTY SPEAKER BERGER:

Yes, you are, sir.

REP. SRINIVASAN (31st):

Thank you, Mr. Speaker. Through you, Mr. Speaker, this untaxed credit is what we are giving the company back to -- in my opinion, it is something that we have promised them, that if they had worked on R&D, they will be able to acquire these credits.

And so when we give it back to them in this form, it is something we are -- we, meaning the state, has said this is what we will give you for doing research in -- in our -- in research facilities in our state.

Is there a cap on how much can be given back through the earned tax credit? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. Through you, yes. The cap is $400 million. Through you.

DEPUTY SPEAKER BERGER:

Representative Srinivasan.

REP. SRINIVASAN (31st):

Through you, Mr. Speaker, I -- I'm well aware of the $400 million, because obviously that's been talked about quite extensively, but is there a formula by which the $400 million was arrived at? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, it was a negotiation, not a formula.

REP. SRINIVASAN (31st):

Thank you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Srinivasan.

REP. SRINIVASAN (31st):

I appreciate that answer. And through you, Mr. Speaker, can this money be used only -- this tax credit that they have, has it all got to be only in terms of capital reinvestments or could it be used, the tax credit, for other purposes as well by the company? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, it is very specifically outlined in the bill what -- what the purposes are. They -- it is for capital expenditures, it is for building, construction, equipment. I -- if you wish, I can find the section for you in the bill which describes it.

DEPUTY SPEAKER BERGER:

The Chamber please stand at ease.

(Chamber at ease.)

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. On line --

DEPUTY SPEAKER RYAN:

The Chamber will come back.

REP. WIDLITZ (98th):

On line 19, it starts to describe the uses, specific uses, for -- for those investments. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Srinivasan.

REP. SRINIVASAN (31st):

Through you, Mr. Speaker, is there a timeline by which these -- these capital expenditures have to be done so we know these various buildings or these various things that were outlined by when will it become a reality for us? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. Yes, through you, it is five years. The timeframe is five years. Through you.

DEPUTY SPEAKER RYAN:

Representative Srinivasan.

REP. SRINIVASAN (31st):

So through you, Mr. Speaker, if I am to understand the long list that they have to comply with

in terms of the capital improvements or newer projects, like the -- what the new plant in East Hartford or anywhere else, has to be done within the next five years. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. That is correct. And through you, they are ready to go the minute this signed by the Governor. They are ready with their architects and they're very excited about moving forward immediately. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Srinivasan.

REP. SRINIVASAN (31st):

Through you, Mr. Speaker, I see that when these -- when this credit -- untaxed credit of $400 million is given to UTC here and through this bill, that obviously there is a revenue loss as far as the state is concerned for that amount.

But through you, Mr. Speaker, these various buildings that are going to come up in a relatively short time in the five-year period, would that result

in a positive revenue for us in terms of property taxes and other taxes? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. Through you, certainly yes. They will be added value to those buildings and facilities to the hosting communities as well as the construction jobs and all of the jobs that will be involved in -- in implementing all of these plans and constructing these facilities. So I expect it will have a tremendous economic boost for our state. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Srinivasan.

REP. SRINIVASAN (31st):

Through you, Mr. Speaker, that's my understanding, too, but I just wanted to make clear that these buildings, these constructions, will not be exempt from other machinery that they've -- that they're going to obviously need, will not be exempt from any taxes down the line. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, that is really up to the host community to negotiate with them and I'm sure that, you know, they will pursue that conversation. That's not part of our responsibility as the local property tax issue. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Srinivasan.

REP. SRINIVASAN (31st):

Through you, Mr. Speaker, then am I to understand clearly that part of the taxation is going to be between the various facilities that are there in the host town and their own municipalities? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, that is actually not covered in this bill, but that is the usual procedure, that it will be negotiated with the host communities. Through you.

REP. SRINIVASAN (31st):

Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Srinivasan.

REP. SRINIVASAN (31st):

Thank you, Mr. Speaker. It's not covered in the bill, but I just wanted to make sure the ramifications, you know, if this bill, which I'm sure will -- will pass through the house today. Through you, Mr. Speaker, just a few more questions.

DEPUTY SPEAKER RYAN:

Please proceed, Representative.

REP. SRINIVASAN (31st):

Through you, Mr. Speaker, the formula as to how we determine whether the personnel are maintained, engineers, the non-engineering personnel, is that formula and the number arrived at or is it a work in progress? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, upon signing the contract, they have the -- UTC will have 120 days to certify those base numbers, the number of employees working, the number of engineers that they -- that they employ. Let's see.

The payroll and also the research and development expenditures. Those will be certified within that 100-day period of signing the contract. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Srinivasan.

REP. SRINIVASAN (31st):

Through you, Mr. Speaker, in the very unlikely event that UTC does not live up to what is expected of them, through you, Mr. Speaker, are there any -- any fines or any other thing that this company will have to pay, not necessarily the first year, but in the outgoing years? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Yes. Through you, Mr. Speaker, if they do not live up to the contract that they have signed, there are claw back provisions written in. As an example, if they -- if they have more credits than they actually spent the money to -- to apply to acquire, that would have to be reimbursed to the state. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Srinivasan.

REP. SRINIVASAN (31st):

Thank you, Mr. Speaker, and I want to thank the good Chairman for her answers for me. And as a I said earlier on, this is a -- this is a wonderful of legislation for Connecticut. This is telling things we -- we are going in the right direction as many of us in this aisle have been very unhappy with the First Five Program and that's why there was a little bit concern about that.

But this is not the similar or any way close to the First Five Program and therefore I will be supporting this legislation. Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Representative Ackert of the 8th District. Sir, you have the floor.

REP. ACKERT (8th):

Thank you, Mr. Speaker. And a couple of questions through you to the proponent of the bill as amended?

DEPUTY SPEAKER RYAN:

Please proceed, sir.

REP. ACKERT (8th):

Thank you. And to the good Chair of Finance, I actually that committee so I would wish I had a little bit more opportunity to review this. But for my knowledge, could you help me with understanding the term and maybe the global to the stranded taxes term in terms of?

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. Yes, currently UTC has many more credits than we, by the current statutes, are allowing them to use. So we are referring to those as the stranded tax credits because they're out there, but they can't access the value of those currently. Through you, Mr. -- Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Ackert.

REP. ACKERT (8th):

So whichever way we offer a tax credit, they exceeded and gained more than we allow them as a -- as a state to -- to be reimbursed. Do we know a number in terms of what overall -- we know that negotiation was $400 million. Do we know overall what amount of

stranded taxes? Is there some office that has that information in Connecticut, in our?

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, that is, I believe, not public information. Through you.

DEPUTY SPEAKER RYAN:

Representative Ackert.

REP. ACKERT (8th):

And -- and that's fine if it's not public, but somebody must have tracking of what tax credits a business has?

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Yes. Thank you. The Department of Revenue Services does have that information, but they do not make it public. Through you.

DEPUTY SPEAKER RYAN:

Representative Ackert.

REP. ACKERT (8th):

And it's fine that -- I wasn't looking to access their records of what a company has because I think

the -- the bigger question that I have is how many businesses out there in the State of Connecticut and to what level -- is there a Connecticut -- maybe with the passage of this and, you know, maybe others like that, will the state have exposure to the state of -- the Department of Revenue Services would have that information? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, there are $1.4 billion in tax credits that are currently out there now. Through you.

DEPUTY SPEAKER RYAN:

Representative Ackert.

REP. ACKERT (8th):

$1.4 billion total stranded taxes in the State of Connecticut through all business that have stranded taxes? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

That is a question, sir?

REP. ACKERT (8th):

Yeah. There's a question. The question is so -- my -- it's for all -- whatever the Department of

Revenue Services has is -- the total amount is $1.4 billion in total stranded taxes for the State of Connecticut?

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, those would be for research and development tax credits. I need to clarify. Through you.

DEPUTY SPEAKER RYAN:

Representative Ackert.

REP. ACKERT (8th):

Thank you. Thank you to the good Chair's answers on that. So there's others that may possibly also be stranded taxes out there that would be, you know -- you know, leave that for that? But thank you for the information on that stranded.

I always get concerned a little bit when we -- we open up, and I almost look at this as kind of a can of worms and, you know, where it may end up going in the future. Because we are starting with a business, a business that we really can truly say has been, you know, a staple in our community, granted, much larger years ago when it made some similar -- got local tax

credits to stay in East Hartford, and to continue to do business, and then essentially dwindled substantially down to it looks like maybe, you know, 14,000 to 20,000 employees and we would love to have them stay here.

I guess it comes down to the cost investment that we're going to have in the State of Connecticut. I do have a -- just a couple more questions through the proponent of the bill, through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Please proceed, sir.

REP. ACKERT (8th):

So they're going to spend the capital investments of a five-year plan and I thank you for the answers. I won't -- so I do understand that and it's -- hopefully, they'll have it done in five years.

I did have an original note before this came to me that said that the state is only obligated for -- for the first five years for reimbursements of $20 million. Is that still the way it is now?

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, the entire cost is spread out over a period of 14 years. During the first five years, it is capped at $20 million per year. Through you.

DEPUTY SPEAKER RYAN:

Representative Ackert.

REP. ACKERT (8th):

Thank you. And that's -- so it shows that that business is really going to make a capital investment up front, spending the $500 million, investing in that community, investing in jobs, and then, after that, the state will then embark on helping the major portion of that reimbursement. So thank you for the answer to that and that's what I thought I had read.

The other one question I had, and I know it -- that I have a couple of notes is, it says their headquarters shall stay in Connecticut for at least 15 years. And headquarters -- there was a definition of headquarters, but it -- I -- I would think that that's the major body of the company will stay here. I know that we've had, you know, corporate headquarters could be placed in, you know, Connecticut, but have only a small body of work.

We don't believe that that's the intention of the -- of the term for headquarters being, you know, that their mailing box is in Connecticut, but their -- their overall -- their overall structure is going to be here in -- and staying in East Hartford. Is that correct? So the term of -- of headquarters, through you, Mr. Speaker?

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. Yes, it's clearly identified in the language of the bill that these are expenditures, are in state, and the headquarters will be in state. Through you.

DEPUTY SPEAKER RYAN:

Representative Ackert.

REP. ACKERT (8th):

Thank you, Mr. Speaker, and I would really like to thank the good Chair and -- for her answers and clearing up some questions that I had on this bill and I thank you so much.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Representative Aman of the 14th District. Sir, you have the floor.

REP. AMAN (14th):

Thank you, Mr. Speaker. I will give the good Chair a chance to take a rest and not be asking her any questions over the next few minutes. I think she's done a wonderful job of answering many of the questions that we do have about it. I will be supporting this vote and it's for a couple of reasons.

First of all, I have a tremendous number of engineers that work there in my district and it would be probably unhealthy for me to vote in any other manner. But more importantly, I think that this does a lot of things that we have been talking about doing for the economic development growth in the State of Connecticut.

I like this program a lot better because of the fact that it forces the recipient company to take action prior to receiving any money. As been previously stated, they're talking about spending $500 million up front and then getting $20 million a year back. That means they got to be up and operating very substantially before they get into any major amount of money that they would give.

And this is very different from many of the other programs that we have had here that I have objected to

and kind of worried about, where the loan -- a forgivable loan, the money is put up front, the training money is put up front, and then we just hope that the company produces and is successful.

And if it isn't, we say we always can collect the money back, but I don't know what your success rate has been, but my success rate of collecting from companies that are in financial trouble is pretty much non-existent. So for that reason, I -- I definitely like it.

The other part of it is that the research facility is going here. The University of Connecticut has a engineering school that I hope will be expanding and expanding rapidly. And one of the things that we've always talked about was how important it is to keep our young professionals in the state.

Nothing drives the young professional engineer out of the state faster than if he doesn't have an opportunity for a good job. By putting this research facility in East Hartford, I got to believe that there will be a tremendous opportunity for internships, summer jobs, other types of placements, and work that will encourage that young educated group to stay here in the Greater Hartford Area.

We have also talked regularly, for instance on Jackson Labs and some of other parts, about how by putting this type of research facility in, we bring people in, they do research, then they get a little bit greedy and they decide, hey, I can start my own business and make lots of money.

I think the same thing is a spinoff that we could look here at Pratt & Whitney, that many of the engineers that will go there to work as young engineers will be there for several years, and then decide, gee, I really want to start my own company, but my roots are here, my business is here, and we will get a substantial spinoff from it.

In general, I like this program also because of the tax credit program. We've given the companies this type of incentive to do work and then we kind of chuckle because we're saying we give you the incentive, but we know you can never use it.

So we all get to issue the press release saying we're going to do -- give the tax credit knowing that it will never be collected on. And I think this gives a chance to actually do this and let the companies do it.

I think one of the objections to this is that it is directed towards one company and I have to agree that that is a problem for me. I think that if this is a good program for UTC, it should be very seriously looked at at our other industries.

Again, I would much rather give the tax credits to a company to be used rather than a loan that could be forgiven in the future. By using the tax credits even for things like sales tax, it means that the purchases or the sales to -- the generated tax in Connecticut have to be made here.

And will this encourage Pratt & Whitney to produce more here and sell more here because they don't have a sales tax or they're getting a credit against that? I hope so.

And also their purchases, will they look more towards purchasing things here within the state because they don't have that sales tax penalty that they would normally have to pay because they're getting a credit?

For -- I think this is a win-win for the State of Connecticut that we are keeping and encouraging growth of a very good company, we're providing jobs to our young people, and doing a little bit more for our

corporations and hopefully other companies will look at this and say, gee, if we expand, maybe we can use the same program.

So I encourage my colleagues to vote for it. Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Representative Sawyer of the 55th District. Ma'am, you have the floor.

REP. SAWYER (55th):

Thank you, Mr. Speaker. Representative Aman makes some very clear points. You know, we are talking about high tech. We're talking about going to the next level and sometimes in the next level, there will be perhaps a few less engineers, but there will be those, the youngest, the brightest, those that come in that have some of the skills, the skill level second to none in the world.

The Chairman of UTC says on his website that he talks about cities in aircraft that are more efficient, consume less energy, and have a smaller impact on the environment. Those are all the type of things that the state is looking -- as a state government, we are looking for our companies to be doing.

We also know that in 1973, some of us were freshmen then, we passed this bill and it was such a great idea that we were going to give companies credit for research and development, credit for moving the state forward with some of the most brilliant ideas ever.

And you can look at some of the things that has come out of UTC, whether it is space suits or you can talk about fuel cells, you can go right down the list and some of the best elevators of the world, that are across the world. You can talk about helicopters, you can talk about -- certainly, they are the only ones that bid on the presidential helicopter.

They scare the others away. They have some of the best in the world. So when we're looking at telling them that, yes, your R&D is important; yes, the future of high tech is important; this is the kind of message that we want to send and it is my dream that the general assembly will go out to other companies that are here and say we hope that you'll come and ask us for the same. Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you, ma'am. Representative Shaban -- Shaban, excuse me, of the 135th. Sir, you have the floor.

REP. SHABAN (135th):

And I answer to all three, sir, so thank you. Thank you, Mr. Speaker. I'm going to -- I rise in support of the bill. I -- we've had a lot of good commentary from a lot of good people discussing why this is a good idea and I -- I kind of have a similar -- similar view, but also wanted to hit it from a little broader angle, from a -- generally, the folks in this half of the room don't prefer picking winners and losers or selecting one industry out over another. And -- and I think there's -- there's good cause to be concerned about that.

But one of the things I think we do prefer, and I think everyone in this Chamber prefers, is tax cuts, frankly, that -- that will promote business and job growth and opportunity. And what we have here, while it's incremental in nature, you know, I prefer a border-to-border approach, what we -- it's an incremental tax cut, frankly, for one of our -- our largest employer, apparently, and that's good enough for me. It's -- it's, you know, there's two ways to

cut taxes. You either adjust rates or you give tax credits.

Preferably -- I'd prefer to cut rates for everybody in the State of Connecticut, all businesses in the State of Connecticut, but that's not what we have here. What we have here is telling a company that earned tax credits, pursuant to the laws that we passed many years ago, to say guess what?

You're actually going to be able to use those tax credits. And I -- I think -- I think by -- I think issuing tax credits and not letting companies use them is -- it's a little disingenuous.

So I'm pleased that we were able to -- were able to move forward on really what I see to be a -- a fairly -- approaching a fiscally conservative approach of reducing an -- a company's taxes to promote growth and opportunity.

And here, we even have a little more than that. In order to get there, they're actually going to kick some of their own money in. So -- which is even better. It's even better.

So you -- you know, hear people -- they're concerned, floodgates -- what about floodgates? Everyone's going to be asking for this. Well, you

know what? So what? So what? If other -- if other big large business employers coming to us and say we've compiled all these tax credits and we need some help, well, guess what?

If -- if there are floodgates or there are more than one employer that come and ask for -- to be able to use these tax credits, there we are again. We're reducing taxes. It's not by rates, the way I would prefer, but it's by tax credits.

That's an idea that I support. That's an idea that most people on this side of the room support. That's an idea that most people in the whole room support.

So I'm going to be a yes today and I -- you know, when I was looking at this bill and listening to the debate in -- in Finance especially, you know, an old adage came up and I -- I forget if it was a teacher or a nun that -- that I had in Catholic school. She would always tell me, "John, perfect is the mortal enemy of good enough."

And, you know, this deal is better -- it's not perfect, but it's way better than good enough. I think it's a good deal for the state, I think it's a good deal for employers, and I think it's moving us in

the right direction. So I'm happy to vote yes today. Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Representative O'Neill of the 69th District, sir.

REP. O'NEILL (69th):

Thank you, Mr. Speaker. I hate to be the one to -- to disturb the Chair of the Finance Committee from her rest, but I think I'm going to have a couple of questions to ask her.

So through you, Mr. Speaker, with respect to this piece of legislation, in the bill itself I don't see United Technologies referred to or mentioned or Sikorsky mentioned specifically.

But my understanding from reading the summary of the bill, the OLR summary, that the purpose of this bill is to authorize and in effect legalize the implementation of an agreement that's already been reached between those two companies and Executive Branch of the State of Connecticut. Is -- is that correct, through you, Mr. Speaker?

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. Through you, yes, that is correct. It is usually not good protocol to name specific companies in legislation. I don't know if it's a rule or a tradition, but we -- we usually do not specifically name a corporation in -- in statute.

However, the definition of who qualifies as manufacturer for this particular bill describes UTC. So you are correct, sir.

DEPUTY SPEAKER RYAN:

Representative O'Neill.

REP. O'NEILL (69th):

Thank you and I thank the Chair of the Finance Committee for her answer.

And just to be clear, if this legislation is passed and assuming that there are no other contractual arrangements entered into by the Executive Branch, do we know of any other companies, or do we have reason to believe that any other corporations would be able to benefit from the changes in this legislation? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, no one else would be able to qualify through the particular language in this bill. However, if there were a recommendation or an agreement to come forward, that would require coming back to this body for legislation -- for legislative action.

Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative O'Neill.

REP. O'NEILL (69th):

Thank you, Mr. Speaker.

And so a number of people, even those on this side of the aisle who have indicated their intention to vote in favor of the legislation, have expressed a certain discomfort, a certain uneasiness, with the bill that is before us, because it is focused on exactly -- or to exactly one or two very closely related corporations here in the State of Connecticut.

And -- and I feel that same sense of uneasiness and -- and I think -- and that I've completed my questions for the time being. Give the Chair a chance to rest again.

I -- I think that the reason why I feel that sense of uneasiness is because of something that is

found in our state's constitution and with the -- presuming there's no objection, I'll just briefly read from Article First, Section One, the Declaration of Rights of our constitution.

The very, very beginning of our constitution says, "All men when they form a social compact, are equal in rights; and no man or set of men are entitled to exclusive public emoluments or privileges from the community."

And the language is pretty clear. It's somewhat old fashioned, but it's, I think, pretty clear that, as was indicated by the Chair of the Finance Committee, we don't name individuals in legislation saying that this is a bill for a particular person.

We don't necessarily even name towns that would benefit from specific legislation. We do when we're conveying some land. We have to say that a particular piece of land is -- that's owned by the state is being conveyed to a particular town.

But there's I think an underlying reason that -- that was alluded by the Chair of the Finance Committee that we don't want to refer to them specifically. And I think part of the reason is that it is so easy to feel that you are granting a privilege, that you are

conferring a benefit, and emolument, to use the 18th Century language, upon someone, or, in this case, an entity, a corporate person, that is going to benefit, in this case, potentially to the tune of -- of $400 million, that they would benefit from the change in the law that they and they alone can use.

And so we have a provision in our constitution that says you're not supposed to do that. You're not supposed to give specific benefits to individuals or, in this case, corporate persons, so that they and they alone are the only beneficiaries.

And this is a very fundamental, it's the very first thing. You know, the people talk about various amendments to the U.S. Constitution, that the First Amendment is the most important one, the right of freedom of speech and the right of freedom of the press, and that's why it's the First Amendment, because it's the most important amendment. And as other amendments are -- are listed and you go down the line, people are -- are, you know, I guess to understand that the less important ones come in second, third, fourth, and so on, wherever you are on the pecking order kind of indicates how important the

drafters thought that particular vision of the Constitution was.

This is, if you follow that reasoning, considered the most important thing in the Declaration of Rights. It's the provision that says we shouldn't be doing something like what we are proposing to do here today. You know, I don't know that anyone's going to go and file a lawsuit and say that this is unconstitutional.

The courts have put a gloss on the language, which doesn't say anything about nobody gets a -- a private benefit. Nobody, individual, or set of people are entitled to exclusive privileges, unless there's some way that someone can somehow relate that gift to some sort of public benefit, which is what the courts have done.

When we have granted people the right to bring lawsuits against the State of Connecticut through the Claims Commissioner's Office and that sort of thing, the courts have said it's okay to do that as long as there seems to be some -- some however tangential connection between that benefit that's conferred by the Legislature and the -- and the -- the benefit to the public.

Some sort of thing is going to be done that's going to somehow, some way, if you can figure out an argument to make it stick or make it at least look like there's a benefit to the public, then we'll let it go.

But the language in the constitution doesn't contain that kind of gloss. It doesn't contain that sort of except when someone can try to dream up an explanation that says, well, there will be some sort of job creation or economic activity will be stimulated or -- or, you know, we'll all feel better about ourselves because we'll be the seat of some research and development project and it'll make us feel like Connecticut's on the cutting edge again or something.

But the language in the Constitution is very, very explicit. We're not supposed to give exclusive benefits, and in this case, hundreds of millions of dollars of tax breaks, to one particular corporation subject to relatively limited amount that they are supposed to do in order to qualify for that benefit.

And so for those members who share that queasiness, that sense of unease, and a vague sense that there must be something wrong with this, how can

the Legislature be going around giving hundreds of millions of dollars of benefits to individual corporations, I think in our constitution, Article One, Section One, you will see why you might feel that sense of uneasiness.

And as I said, I -- I think the courts would probably let this go if somebody filed a lawsuit saying that there's some sort of economic benefit that we think exists. It's in the legislative history. But -- but the constitution doesn't say anything about that.

The constitution says we're not supposed to be giving benefits like this to specific corporations. Pass a tax law that's saying that every corporation in the State of Connecticut that buys a certain number of cars or trucks or tires or spends money in a certain way that we think is a good way to spend, we won't tax -- we won't impose a sales tax on them.

But -- but this is very different from that kind of a benefit. It is not in fact a tax cut, which was alluded to earlier, that we're giving to corporations. We are giving a tax benefit, a cash payout really, to one particular corporation.

And -- and our founding document, the thing we all swear an oath to uphold, says we're really not supposed to be doing that. Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you, sir. Representative Vicino of the 35th District. You have the floor, sir.

REP. VICINO (35th):

Thank you. Through you, Chair, I attended the UTC hearing that was held in our Commerce Committee over the winter and I learned about this company and this investment. If you want to buy a jet engine or a helicopter blade or an aerospace company, you come to Connecticut.

Connecticut is known throughout the world for a high quality investment in aerospace parts. How many of us in this room have a -- a friend, relative, or a neighbor that's worked and supported their family through this great company? Their advancements in manufacturing in aerospace are second to none.

Sixty percent of all their parts that are manufactured here are exported. This is a great way to bring money back into our state, supplying great jobs. According to their site, in 2013, there was 213,000 jobs employed by this company.

Another fact, a gentleman stood up on one of the spin-off aerospace companies and he mentioned that only 18 percent of the entire world has flown on a commercial airline. As the military defense budgets deplete, the commercial aerospace industry is booming. This is a business that is going to be -- keep growing throughout the years and these are a lot of good high paying jobs.

Also was mentioned here today were the 2,500 spin-off jobs. Each one of those high paying jobs spin off to 10 other jobs. These other businesses reinvest in their businesses, expand their buildings, buy new equipment, and this helps out with our -- our local tax -- property tax income to our towns and cities. As more and more businesses expand, it stimulates and reforms all of our property tax.

Another gentleman in the hearing stood up who travels throughout the world in aerospace shows and he mentioned when he goes over to Europe, that all of the manufacturers over there compare everything to the Connecticut companies. Connecticut is known throughout the world for our -- our top aerospace products.

Also, we mentioned today about all the young people leaving the state. All of our young people that are getting out of our colleges and universities, these are the kind of jobs that are going to keep them here. High paying jobs so they can afford to live in a high quality state.

The STEM jobs are a perfect match for all of our aerospace companies in the future. The average age of our aerospace workers is about 55 years old and as they retire, these new young people will come in to fill these jobs and that's all I hear about since I've been here, about the young people leaving the state. This is a great, great match up.

From engineers to wholesalers to manufacturers to equipment purchases, tools, supplies, exporters, machinists, these are all high paying jobs that we want to keep and retain, such as other states. And this is a great investment and I see that every one in the room kind of feels the same way.

So I will support this today and I hope that everyone else supports it and this is our future workforce. Thank you.

DEPUTY SPEAKER RYAN:

Thank you, sir. The esteemed minority leader, Representative Cafero of the 142nd. You have the floor, sir.

REP. CAFERO (142nd):

Thank you so much, Mr. Speaker. Ladies and gentlemen of the Chamber, this is not, repeat not, for purposes of wrap up, but I -- I wanted to share some of my excitement and concerns.

One of my favorite movies in the whole world is the movie "Moonstruck." I don't know if you folks remember that movie with Cher and there's this great scene at the end of the movie where the grandfather is sitting at the kitchen table and he's witnessing Cher break up with one guy and was married to another guy and is going out with his brother. And the grandfather says, "I'm so confused."

And if I had to express how I feel about this bill, I guess I'm so confused. In fact, the better word is conflicted. I am a fairly simple man and I like to communicate simply and directly and I like to be communicated to simply and directly.

So when this deal first came to my attention, the Governor's office was kind enough to give Republican leaders a heads up and an opportunity to ask

questions, which was sincerely very much appreciated. And a group of people from UTC and the Governor's office came into my office and made a presentation with regard to this and they had this pamphlet, which many of us received, this sort of brochure, which talked about the exciting nature of this project.

And -- and I got to tell you I -- I was in my Capitol office at the time, I believe we were in session, and I was truly excited. I saw the excitement on all their faces. Because, you know, yes, we do partisan things from time to time, but I've -- as I've often said, we're all here for the betterment of the State of Connecticut.

And when there's good news for the State of Connecticut or something that we can do good, we don't break down into Republicans or Democrats.

So I was anxiously listening for this great news, and it was exciting and it is exciting. And for me, I wanted to leave that meeting and vote yes, and I still might. But let me share with you, if I may, how that meeting went and why I am so confused.

First of all, the people at the meeting represent one of the largest, if not the largest, employer in the State of Connecticut, UTC. They employ over

14,000 people. They have been an institution of this state for generations. They have provided incredible products to our defense industry, to our commercial aviation industry.

They provided jobs. Those jobs have paid mortgages and tuitions. They have been such an important and remain an important part of the fabric of this state. So you want to do something to help them.

They started to explain this to me and I'm not a finance guy; I'm the first one to admit it. But here's how I understood it to be. Under our current law, we allow corporations, if they do certain things, invest certain things -- in certain things, to accumulate tax credits.

And under our current law, we say you could use these tax credits for one purpose and one purpose only and that is to offset the corporate tax you may owe to the State of Connecticut. And even at that, you could only use a certain amount each year; it's capped as to how much you could use.

And what they said was is that UTC, because of all its fabulous work and all its investments over the years, has accumulated these tax credits that they use

to their greatest extent possible each and every year to defer up to 70 percent of the corporate taxes they owe to the state. They follow the law.

But they have done such a good job in researching and accumulating and doing all the things that one does to accumulate these credits that they've stockpiled these credits and they have far more than they could ever reasonably hope to use to offset their corporate tax liability.

I discovered on that day that they weren't the only company that has that situation. Maybe they have it to a greater extent than everyone else, but there are other companies that have stockpiled these tax credits with, under the current law, the realistic expectation that they could never ever use them.

Now, they're not the only ones that know they could never use them. We, as the State of Connecticut, know they will never be able to use them because of the rules of the game that we set in this Chamber that are on the books.

And as a result of us knowing the rules and realizing that they can't use all these tax credits that they've stockpiled, we have never had fear that we would have a sudden loss in revenue if someone were

to use the tax credits because the rules of the game says they can't use them.

So they said we have all these tax credits stockpiled. So I asked what I thought was a very logical question. How much you got? The first response was, well, we don't know. I said, I don't -- I don't get it. How could you not know how many you have? They said, well, we have a lot of them. I said, well, you know, how -- roughly, how many you got? Not really.

And then, I was told if they did know, they wouldn't tell me. I said what do you mean you won't tell me? Well, it's proprietary private stuff. All right. Do you know how many other people have these stockpiled? No. You know how much they might -- no. Okay.

So what do you want to do? They said well, we want to use those stockpiled tax credits in some other way not currently allowed by law. We want to offset our sales and use tax. I said -- I'm a dummy, I didn't know. I said has that ever been done before? No. This would be the first time.

I said okay. Now, I have my concern face on. That's what we're giving you. What are you getting

from us? Or what are we getting from you, I should say? And they said we are going to invest $500 million within five years in this state. Bricks and mortar investment.

Now, why is that important? First of all, a hell of a lot of money. And second of all, bricks and mortar give you -- though no guarantee, give you some indication these people want to stay here. You don't build a building and want to go. So that's a good thing.

Plus, I'm thinking in my mind all of the people that are going to be put to work building these buildings. That's a great thing. And then, I realize UTC, being the size that it is, has a lot of other companies that are not technically affiliated directly with UTC that benefit. When UTC does good, they do good. And those companies and vendors, they live in my town and your town and all over the State of Connecticut and they employ thousands of people. That's a great thing.

Why is it a great thing? Because we're hurting right now. We -- we all lament the job creation and the -- the bad economy and -- and people on -- out of

work and unemployed. And to have this prospect? That's a great thing.

So what we all do when we hear about these deals is we balance what we're given with what we're getting. And we make a judgment as to whether or not it's worth it.

And in every case, it's a gamble because no one has a crystal ball. It's a gamble. But in this particular case, maybe like many of you, I want to get to yes.

I want to get to yes because this is such a great thing. And by the way, I know I've been critical, as is my role and job, of this administration, but I applauded them for this one.

The mere fact they brought it to the table, they deserve credit for it, and I mean that from the bottom of my heart. That's a good thing.

So as we're talking back and forth, I'm trying to understand what they're giving, which I -- I somewhat summarized, and what we're getting. But in the back of my mind is about a three-week-old headline that I read, "Sikorsky lays off 600 people." That was devastating news to all of us.

So one of my first question was what about the 600 people? Are we going to hire them back? And the people from UTC said unfortunately, we can't guarantee that and at this point, we have no prospect of that. Because they said, and I understood this, as I'm sure you understand, Representative Cafero, Sikorsky, as a industry, is extremely, if not 100 percent, dependent on the federal government.

If the federal government orders the F-416 helicopter, you're in business. If they don't, you're screwed. And there's nothing we can do to anticipate that, they said to me. So unfortunately, we have no comment on that Sikorsky loss of 600 jobs.

By the way, 600 jobs is a lot of jobs. That's a lot of jobs.

They said, however, we do promise that we'll make some capital investments in the Sikorsky facility and we'll make sure their headquarters is here in Connecticut for five years. Better than a stick in the eye, little disappointed they're not -- are not in a position to do something for these 600 people.

So I said let's move on to the other part of this deal. They told me the exciting news about their facility, new state of the art facility they were

building, and this place and that place, et cetera. And it's really what -- it's exciting stuff when you hear it and -- and you see their genuine excitement about it. Commissioner Smith there, her genuine excitement about, and well deserved. And I want to get to yes.

So because we've been talking ad nauseum, rightfully so, as a state and as a Legislature and as an administration about jobs, jobs, jobs, jobs, jobs, the first thing I ask is what does this mean in terms of jobs? Now, the gentleman very honestly and candidly said to me, well, you shouldn't look at this as a solely or primarily a jobs bill. It isn't.

It's an economic development initiative that we believe certainly in the short-term, with regard to the construction, and indirectly with regard to suppliers and vendors, will create jobs. But this bill itself is not about jobs.

So I think that has to be clear to everyone. This is not a jobs -- direct jobs bill. And what do I mean by that? We have given hundreds of millions of dollars out in the program we all sanctioned; First Five, Second Five, Third Five, I forget what five we're up to now, where we give money with the promise

that they will create a certain amount of jobs. If they don't create the jobs, we don't give them the money. That's not this deal.

And while we were meeting, by the way, we were in session and the bell kept ringing and every time I'd get up to vote, they'd say to me wait till you come back. We got the -- the best -- bestest news in the world. And I would vote and run back and I'm waiting. I'm waiting for the big news.

Now, not to say the deal in and of itself isn't big, but I'm waiting for the -- the big one and I didn't get it. In fact, when I looked at the sheet they gave me, I said do I understand? I'm not a numbers guy, but let me understand this. They got this sheet that shows all the factors that play into how they will get the money.

And by the way, the amount of money we could eventually give them, and they're very confident we'll get, is $400 million.

Now, if you do quick math, as some cynics are doing, I mean that sincerely, they're putting in $500 million, they're getting back $400 million, that's a net of $100 million. That doesn't bother me as long as everybody's thriving.

Here's the part that bothered me. I start with the premise that but for this bill, those stockpiled tax credits will never be used, ever, ever, ever. They admit it, we admit it, we know it, they know it, everybody else who has them knows it. Never going to be used, but for this bill.

So if they use dollar one of a tax credit that they otherwise, under current law, couldn't use, that's a homerun. No one else could do that and we would allow them to do that with this. Fair enough.

We talked in the meeting about allowing them to use those bills if they did certain -- those credits if they did certain things. Well, with my focus on jobs, I said to them how many people work for you now? And they said 14,100 people.

And said of those 14,100 people, how many of them are engineers? And they said 4,900. Beautiful. I said so now, that's the starting point. How many jobs do you have to create, if any, to start using these tax credits that before this bill you will never be able to use?

And here's the part that got me. They said that they could actually, according to this chart, lay off -- lay off 1,650 people, 550 of which could be

engineers, lay off, and still get to use 35 percent of the money. Huh?

I understand if you hire certain people, more you hire, the more you get to use. And I understand with regard to some wiggle room, if you lose a few here, whatever, we're not going to just jump down your throat. But 1,650 people? Can you imagine if we picked up the paper tomorrow and saw a headline, "UTC lays off 1,650 people"? God forbid. God forbid.

And yet, under this bill, if that were to happen, they could use 35 percent of tax credits that they heretofore could never use ever and nobody else could ever use. That's the part that bothered me.

Now, when I brought that to their attention and complimented them for their honesty, because they don't hide it, it's right here, right in the bill, they said to me it's not going to happen. I said I hope to God, from your lips to God's ears, I said no, it's not going to happen. Why would we be building all these buildings and lay off people? I said you're right, but stuff happens. We find that out every day.

If I went up to you the before you read about Sikorsky and I said what are the odds Sikorsky's going

to lay off 600 people in one shot? What would you tell me? You take that bet. You would have lost.

This is a bet and I understand that economic development is a gamble. I get it. There is no guarantee. But when you are trustees and fiduciaries of the public monies, you got to hedge your bets. You got to make the safer bets. You got to make sure there's backup, security, accountability. You do that through the course of negotiation.

One of the things that's always difficult for me to accept is we're asked to pass a bill that is the reflection of a negotiated deal that we had nothing to do with. We weren't at the table. We couldn't say psst, by the way, why don't you ask for this and get this or move it -- can't do it. So we get the done deal, vote it up or vote it down?

And that's the problem for me. Because I think the prospect of this iconic company of the State of Connecticut investing a half a billion dollars and staying here and having vendors and -- and people benefit from that and temporary construction jobs and whatever is so welcome news in this state.

It is so welcome. And I would pray every day when this bill passes, and I'm sure it will, that that

happens. Every day, that the people, the men and women that we love that we know are out of work maybe will benefit from this.

But my concern is what if it goes wrong. What if it goes wrong? Are the safety nets and the terms of this such that we won't be accused by those we represent of you made a bad deal?

And the thing that gives me pause, the things that make reflect like the uncle in -- or grandfather in "Moonstruck" when he was so confused, is when we press the button, if we vote in favor of this, we're actually saying that UTC, you could use and get a benefit from us, considerable one, that you would never else get at the same time while you've laid off 1,650 people. That's what scares the hell out of me.

And I've listened in -- in the back, I've listened while I was here, and there's so many great points. It's such an exciting prospect. And when I looked in the eyes of the men and women that were around that table, I know they believe that they're going to succeed and I look around this Chamber and I know every one of us want them to succeed.

I'm just scared. What if it doesn't happen? I'm going to listen to the rest of the debate. I hope I

can be comforted and not so confused. But that's where I'm at. And if what I've just said maybe mirrors or resonates with what you have said, I encourage all of us to get the answers to those questions.

I'm sure if this bill passes, there is going to be other very fine employers of the State of Connecticut that say, hey, you know what? I got a bunch of stockpiled tax credits. We broke our back as a company to earn them. What about me?

Now, in fairness, we could say, hey. Throw 500 million bucks on the table and now we'll talk. But that's some of the concern that I think Representative O'Neill said. We're not even setting a standard. We're just saying this bill is about one bill.

You know -- and it says AN ACT CONCERNING AEROSPACE REINVESTMENT, I guess we always write those fancy things, is about UTC. Not that that's a bad thing, but let's be honest. This is about UTC and UTC alone. Period, end of story.

All our hopes and potentially $400 million of our constituents' money, are being pinned on this company. If this bill passes, God bless them. I wish them all

the luck in the world. But that's why I'm scared.

Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you, sir. Representative Miner of the 66th District. You have the floor, sir.

REP. MINER (66th):

Thank you, Mr. Speaker. If I might ask a few questions to the gentlelady from the -- I guess the Finance Committee, please, through you.

DEPUTY SPEAKER RYAN:

Please proceed, sir.

REP. MINER (66th):

Thank you, Mr. Speaker. I -- I'm trying to remember a couple of questions that were asked and I just want to refresh my memory. And so am I correct that, collectively, there are about 15,000 employees that would come under the umbrella of the only corporation at this point that would qualify for this? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. I would like to clarify that in the language, any company that could qualify

for the thresholds listed in the bill, we know -- we know that UTC qualifies. If there is another company that is out there that we are not aware of, there is an opportunity for that.

So just as a clarification of that language, to the best of my ability, that's the one that I know qualifies. I'm not aware of anyone else, but it is permissive that anyone who qualifies for that threshold. But through you, Mr. Speaker, yes. They do employ -- that's the number I've been given. Through you.

DEPUTY SPEAKER RYAN:

Representative Miner.

REP. MINER (66th):

Thank you, madam. And the other question that I have -- actually, there may be two questions, to resolve it in my mind. There's been this conversation about some number of billion dollars in either stranded or outstanding tax credits currently on the books.

And so if the gentlelady could clarify that for me. Are -- so if she knows, what would the total number of outstanding tax credits be, through you?

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, the information that I have is that $1.4 billion worth of tax credits are currently not being used. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker. And -- and is it the gentlelady's understanding that those, in fact, may not all be stranded, but currently not being used? Through you.

DEPUTY SPEAKER RYAN:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, that's -- that's absolutely possible. Depends upon the corporate taxes they would pay and if they're -- if they -- and how -- how many credits they actually could use toward that -- that income. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker, and I thank the gentlelady for her answers.

Mr. Speaker, I -- I guess my sense is that deals are usually -- they're viewed differently by people and more often, it's -- it's from the place in which you view them. I'm reminded more often than not, when I go into the hardware store, local restaurant, that their view of these larger perhaps employment incentives, corporate investment, are not view the same way we do here in Hartford.

More often than not, they're viewed negatively because more often than not, they don't -- they don't seem to inure, at least in their minds, as many in the state, to their -- their benefit. If you own a hardware store or something similar to like that.

I'm also reminded more often than not that part of the reason why we end up in these conversations is -- is how we are perceived in the world, certainly in this country. We recently had a conversation with folks up at OFA and I think they've pegged our fiscal year deficit for 2016 as being somewhere around $939 million to date.

And if I understand the ramifications of this bill, if this corporation were to take advantage of

these credits, they would exacerbate that by almost $20 million.

I don't blame them. We're operating at a deficit; they're not. We've allowed them to accumulate tax credits based on our tax policy. They've asked us, under the structure of this deal, to be able to cash them in at a rate greater than which they understood they earned them at, but nonetheless at a rate that we've allowed them to certainly accumulate them at.

So I'm trying to imagine how that conversation goes, Mr. Speaker, when the DECD leadership sits down with corporate leaders knowing that they have something in excess of $400 million worth of stranded tax credits, 15,000 employees, and a fairly sophisticated infrastructure. And the reality that they would even leave the State of Connecticut would, in my estimation, cause most people's blood to run cold.

I mean, if you imagine that, these aren't -- these aren't tax credits that they can take somewhere else and use. These are tax credits that they can only cash in here. It's like S&H green stamps; you can only put them in that book.

So Mr. Speaker, it kind of speaks to the place that we are here in Connecticut. We're not -- we're not dealing from a deck of cards of strength. We're dealing from a deck of cards that in -- more often than not we're playing defense. I think a number of people have said that.

Representative Cafero spoke about the corporation and the people that are here. In January, I was in Maine with my son-in-law and I spoke with two people on a sheet of ice, as I was ice fishing.

One was a conservation officer from the State of Maine. His family came from Branford. His family worked at Pratt & Whitney. I met another gentleman from Skowhegan who owned a body shop. His family used to work at Pratt & Whitney closer here to Hartford.

So for a long time, this relationship between the State of Maine and Connecticut existed. I've known it for probably 40 years because most of the people that I know here in Connecticut that are associated with Maine have had family members that came here and where did they come here to work? Pratt & Whitney.

So there is a heritage here, Mr. Speaker. There's a heritage here that I think this bill attempts to maintain, perhaps expand. Like

Representative Cafero, I'm concerned about what I would call possible loopholes in this agreement in that we could still see a depletion of employees even though we've allowed them to use significant tax credits.

So as I said earlier, I think primarily these deals are more often understood and appreciated or not appreciate depending on where you stand in this state. The effect to them is hard to know, it's hard to feel if you're not working at, in this case, Pratt & Whitney, or someone who is associated with that large corporation. Perhaps -- I think another representative spoke about subcontractors and the like that do work for them.

But the choice is real. I guess we could have said no. I guess they could have said, well, see you later. You know, we'll join the other corporations that have left the State of Connecticut. But it really is amazing that in a state like Connecticut, a corporation with 15,000 employees, that there even was a -- a conversation about taking $400 million worth of tax credits and leaving this state.

Because if that conversation didn't occur, you'd have to imagine that this is a giveaway, and I'm not

imagining that. I'm imaging that someone said to us this is what we want to make this investment.

But that really is pretty striking about our tax policy and about the way we treat -- we do business here within this hall and in the other Chamber. Because deficits are real. They'll get a credit this year and maybe a tax increase next. So I think we need to be very careful, but it is something that I plan to support. Thank you.

DEPUTY SPEAKER RYAN:

Thank you, sir. I think you just got a roomful of people to Google S&H green stamps, but -- Representative Belsito of the 53rd District.

REP. BELSITO (53rd):

Thank you, Mr. Speaker. I'm one of the newest members of this House and I'm going to tell you a few things. First of all, I'm going to make it short and sweet. And also, I apply the KISS system and most of you probably know what the KISS system is; keep it simple, stupid.

But so here goes. Even if we didn't decide to give Pratt & Whitney the money and they decided to build a building, we didn't really lose anything because we didn't collect the sales tax on what

they're doing. As far as I'm concerned, we haven't lost anything. We've gained a -- a $500 million project and jobs.

The next thing that's going to happen, we are hurting for jobs in this state. Homebuilding is down, business is down. We are hurting in every single section. Maybe this can be the idea to bring our state up and what I'd like to do is throw out this idea to you.

Let's cut the sales tax for anybody who's building a new home, any building in this state, for two years, and let's see how much we can generate in new business that will bring this state up. Why should we be last in everything when we can be first?

So we haven't gained anything if -- if they don't build anything. But if they build something, we're going to get more businesses here. They're going to come here and we're going to move right along. So that's my suggestion.

We can move forward simply by giving the break to people who are going to build a building like Pratt & Whitney, or five buildings, or six buildings, on the state sales tax that they have to pay on the purchase

of the material for their building. It's really quite simple. Thank you very much.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Will you remark further on the bill as amended? Representative Aresimowicz of the 30th District.

REP. ARESIMOWICZ (30th):

Good afternoon, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Good afternoon.

REP. ARESIMOWICZ (30th):

Mr. Speaker, I rise in strong support of this bill. I've now been in the Chamber -- this is my tenth year and I've heard many times that the bills we pass here in this Chamber send a message, that what we do in here, people watch and they adjust their business plan and their businesses rightly so.

Well, Mr. Speaker, I think this is the kind of message that we want to send. I think what we're doing here today is taking the steps necessary to ensure that we have job growth in the State of Connecticut.

I was born in New Britain, Connecticut. I see Representative Tercyak clapping, being from New

Britain. My entire family was from New Britain and we all worked in New Britain. Whether it be Stanley Works, New Britain Machine, Fafnir, that's all I knew growing up is going over to Lake Compounce, that they close it down for the day for all the great machine shop picnics.

And we had a manufacturing base here in the State of Connecticut. I went off to the army, came back, found my own work, and as I was coming back, those shops were closing. And they continued to close.

And when I first ran for election to the State House, to the 30th District, I went around talking to the District. And I actually said in the beginning I think manufacturing in Connecticut may be gone. I don't know if we'll ever get it back. We need to look elsewhere.

I was wrong. And this bill reaffirms our commitment, reaffirms our commitment to manufacturing, and I thank the Governor for his leadership. The off spin that we're going to see in our small and medium manufacturers is just the tip of the iceberg.

We're now retooling our community colleges, our technical schools, to get more advanced manufacturing degrees out the door, to get kids that otherwise

wouldn't go to college for any typical degree. Maybe they're not the engineers, but they can learn their manufacturing skills and they can have a great living doing it here in the State of Connecticut.

So while sometimes we say the adverse message that's going to be sent, today we're sending a positive message, that we're reacting, we're ensuring that manufacturing, especially skilled manufacturing, has a place here in the State of Connecticut, and we're going to do whatever necessary to ensure that it stays that way.

So I thank the Governor for his leadership in this aspect. I thank -- thank them for all the hours of hard work they did, for starting this dialog, and having it conclude with an excellent bill here on the House floor today, and I urge passage.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Will staff and guests please come to the Well of the House. Will members please take your seats. The machine will be opened.

THE CLERK:

The House of Representatives is voting by roll. The House of Representatives is voting by roll. Will members please return to the Chamber immediately.

DEPUTY SPEAKER RYAN:

Have all members voted? Have all members voted?

Will the members please check the board to see if their vote is properly cast.

If all members have voted, the machine will be locked and the Clerk will take a tally.

THE CLERK:

134, 4, 12.

DEPUTY SPEAKER RYAN:

The Clerk will please announce the tally.

THE CLERK:

Mr. Speaker, on House Bill 5465, as amended by House A.

Total number voting	138
Necessary for passage	70
Those voting Yea	134
Those voting Nay	4
Absent and not voting	12

DEPUTY SPEAKER RYAN:

Representative Fleischmann, for that purpose do you rise?

REP. FLEISCHMANN (18th):

Thank you, Mr. Speaker. Given the timing, I'm not sure how it would work, but either in the record

or in the transcript, I'd like to be noted as being in the affirmative.

DEPUTY SPEAKER RYAN:

It will be noted in the transcript. Thank you, sir. The bill as amended is passed.

Representative Abercrombie of the 83rd District. You have the floor, ma'am.

REP. ABERCROMBIE (83rd):

Thank you, Mr. Speaker. For the purpose of an introduction.

DEPUTY SPEAKER RYAN:

Please proceed, ma'am.

REP. ABERCROMBIE (83rd):

Thank you, Mr. Speaker. Didn't mean to throw you off there. Mr. Speaker, since 1947 the National Youth of the Year Program has served as the primary vehicle for showcasing the extraordinary achievements of Boys and Girls Club youth through the Youth of the Year program. Provides Club youth an opportunity to spotlight their talents and achievements, share their hopes and dreams, and work towards a bright and positive future.

The young people you see before you are the top members of the Boys and Girls Club throughout

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CONNECTICUT
GENERAL ASSEMBLY
SENATE

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the day, Calendar page 22, Calendar 436, House Bill 5465.

THE CHAIR:

Mr. Clerk.

THE CLERK:

On page 22, Calendar 436, House -- Substitute for House Bill Number 5465, AN ACT CONCERNING THE CONNECTICUT AEROSPACE REINVESTMENT ACT, favorable report of the Committee on Finance, Revenue and Bonding.

THE CHAIR:

Good afternoon, Senator Fonfara.

SENATOR FONFARA:

Good afternoon, Madam President, it's good to see you.

THE CHAIR:

It's good to see you, sir.

SENATOR FONFARA:

And, Madam President, I move for acceptance of the Joint Committee's favorable report and passage of the bill.

THE CHAIR:

Motion is on acceptance and passage. Will you remark, sir?

SENATOR FONFARA:

Yes, Madam President.

This bill establishes the ability of qualifying companies to claim earned but unused tax credits as part of an agreement in which that company would invest up to $500 million in infrastructure improvements and equipment upgrades.

The fundamental change would allow the use of sales tax obligations to be used in addition to corporate income tax obligations. Qualifying companies, and they're very specific, would have to engage in an industrial sector activity, employ at least 15,000 people in Connecticut, spend at least $200 million per year on federally taxed deductible R&D in -- in Connecticut during five full income year -- income tax years immediately before proposing an IRP for certification and have at least $400 million in accumulated R&D credits.

That pretty much limits the universe of companies that could qualify for this. I'd like to put that out in the very beginning of our -- of my remarks, Madam President.

The company would invest in infrastructure improvements in Connecticut over a five year period commencing in 2014 and concluding in 2018. While the bill does not specify exactly what types of capital investments qualify, it does state that eligibility is for the state to certify industrial reinvestment projects which the DEC Commissioner must agree to.

The formula established to determine the amount of reimbursement of offset is five criteria. Four factors which will be considered: overall headcount, employment headcount, engineering employment, gross payroll and R&D and Cap-Ex. The fifth is the requirement that the headquarters of each of these facilities will remain in Connecticut for a specified period of time. That will be part of the agreement and, if they do not meet those terms, then it's anticipated that there will be some agreement on a claw -- clawback provision.

In addition to the commitment to maintain the facilities or headquarters for those years, the Commissioner must report annually on the investment and the redemption results to the Finance, Revenue and Bonding Committee.

The investment by the company would be for up to $375 million for, in this case, Pratt & Whitney, the UTAS, United Technology's Center as well as the United

Technology Research Center, the credit redemption maximum is $375 million.

And also at Sikorsky where there could be up to $125 million in research or in equipment investments for a maximum of $50 million in credit redemption.

Madam President, the specifics of what would be invested is an anticipated new 425,000 square foot headquarters and engineering building in East Hartford. That engineering building was built in 1962, the UTRC building, 100,000 square foot building housing the best and brightest in the world, mostly PhDs and engineering, as well as at the UTAS building and renovation of some 500,000 square feet -- square foot building which trains employees of companies from around the world in the equipment that they purchase from UTAS.

And for Sikorsky where there would be -- it's a different particular proposal in that it would be for R&D investments or equipment as hopefully to encourage and essentially provide a different dynamic so that when choices are made as to where to do things they would more likely to be choosing Connecticut rather than elsewhere.

That is an outline of the proposal. That's the sum and substance of the bill. But, Madam President, that does not tell us anything about what's behind this initiative. About what the understanding is when -- or that when you have an understanding and you have a good thing, you do not assume that that good thing will always be here.

It's about recognizing that in Connecticut, this small state lacking in many of the valued natural resources of other states, has an abundance of one thing, brain power. This City of Hartford and the State enjoy a long history of entrepreneurs who invented and patented devices and approaches that changed how this country builds things.

In 1860, Francis Pratt and Amos Whitney founded Pratt & Whitney in the City of Hartford right down the street from where we are today. Both were mechanical engineers. The company focused on gear work and

machine tools. They put into practice the system of interchangeable parts pioneered by Samuel Colt -- Colt and Amos Whitney who, by the way, was the cousin of Eli Whitney.

In 1920, Frederick Rentschler approached the Pratt & Whitney Machine Tool Company looking for a loan and space to design and build a new aircraft engine that met the Navy's standards for a new higher powered engine wing, 650 pounds or less to be able to land on newly designed aircraft carriers, a feat believed to be beyond reach at that time.

But Pratt and Rentschler struck a deal and Pratt & Whitney Aircraft was formed. In 1929 the Navy placed an order for 200 Wasp and Hornet engines from Pratt & Whitney Aircraft.

As commercial aircraft became more popular, so too did the demands for the military for more powerful engines. Pratt moved from -- bigger space to East Hartford in 1940. President Roosevelt moved the country to a wartime footing. In -- by 1943 Pratt had expanded its employment from 3,000 employees to 43,000. And by the 1950s, Pratt had adapted to a modern age of manufacturing jet engine -- jet turbine engines. Today, as part of UTC, Pratt continues to be a leader in the world of supplying aircraft engines.

Our past success, Madam President, unfortunately in no way is a predictor of our future. Not far from where Pratt & Whitney first set up shop on Capitol Avenue in this city there are other major manufacturing employers of thousands of workers. Names like Colt Firearm and the Royal and the Underwood Typewriter companies. Companies with huge factories that now are fading memories for a generation who worked there. This company has not only seen the future but it is, in many ways, it's shaping it. But Pratt and its sister companies like UTRC, UT -- UTAS and Sikorsky, all headquartered in Connecticut, are service -- are serving customers in markets all over the world.

The markets UTC serves are global and that requires the company to have a global presence. This proposal, Madam President, is an agreement, a partnership, developed by our Governor and the UTC Chairman Louis

Chenevert to invest yes in building, but more important, to invest in human capital that Connecticut produces in great abundance and UTC attracts from all over the world to come to work in its facilities in East Hartford and Windsor Locks and in Stratford.

This proposal, Madam President, gives hope, hope to young people in our state who are currently enrolling at the University of Connecticut in the engineering program that we just supported last year to the tune of $2 billion, among other things, to grow the engineering program and a -- a program that is -- that we just committed to make engineering at that school among the best in the country.

Young people hoping to follow in footsteps of Kristen Kopp-Vaughan who graduated from UCONN with a degree in engineering and now is a combustion engineer at Pratt doing amazing things just a couple of miles from this building.

It gives hope to the many members of collective -- Pratt's collective bargaining units that these investments in engineering infrastructure will result in more new product lines like the Geared Turbofan being manufactured right here in Middletown, Connecticut.

This proposal, in the end, is the result of conversations three years ago, Madam President, when Governor Malloy made his first phone call as Governor to Louis Chenevert, the head of UTC, reversing many years where we ignored this state's largest private employer. And from those conversations not only the state saying we want you here, but we want you to grow here. We want you to be here for years and years to come and to have engineers and frontline workers being as excited about being here and working for this company as I saw on Monday of this week when I went to Pratt & Whitney.

And I stood in the Pratt & Whitney engineering building, as I said earlier, that was built in 1929 -- 1963. It wasn't that impressive. It was gray. It was cubicles that I -- that you could see as far as the eye could. Thousands of engineers working and not the most attractive environment but excited about what

they do, proud of what they do, and this investment will provide them with a building that they'll be able to work together where young people will want to be when they're deciding where they're going to invest their talents for the next 30 or 40 years.

That they'll have the equipment and the ability to work together to design and build the next Turbofan that was designed right here in East Hartford starting some 23 years ago, a -- a -- an engine that isn't even in production yet, designed with the help of tax credits from this state to encourage that development that they are beginning work on next iteration and beginning work on how to make that Turbofan even more efficient and working on other engines that have been in place for years making them more efficient, lighter, cleaner.

It's an amazing experience. I encourage all of you to take that trip some day and to see what we have right here in the state. Up the road a little bit in Windsor Locks where even some of the brightest people I've ever -- I've ever met say that at -- at UTRC, Madam President, are the big brains, the folks who solve problems that can't be solved in the other facilities that under UTC -- UR -- UTC's umbrella.

And at UTAS, probably the biggest secret in the UTC family of companies, where maybe as much as 90 percent of a plane's equipment is somehow affected by what is -- or is a part of what is designed and built at UTC -- UT Aerospace Systems in -- in Windsor Locks.

It's a fascinating experience. And at Sikorsky where they continue to find ways to be relevant in a time in our military's decision-making that decisions are made on downsizing, not just in helicopters, but other aspects of military equipment and vehicles and infrastructure.

This proposal will provide opportunities for the company to continue to do that game-changing research on the next stage helicopter and other equipment that will allow Sikorsky to continue to be relevant here in Connecticut and going forward.

So, Madam President, and I will say that in addition

to what's happening at UTC and at Pratt and all the other companies, that this initiative breaths hope into the suppliers, the 2,500 direct suppliers across Connecticut, who currently provide machinery and other equipment and other benefits to Pratt & Whitney, to the UTC companies that are located throughout our state.

Madam President, I'll conclude by saying that this -- this initiative, as I learn more about it, for me it is a bet on the future, a bet on the future not only in terms of engineers being located, the best and brightest of engineers in Connecticut, but also a bet that we will be the beneficiary, as Middletown, Connecticut will be, when the Geared Turbofan gets rolling that thousands of employees there and -- and again with respect to further investments, further research that is at the heart of this proposal will result in the next iteration of a turbofan or God knows what that might be in the minds amazing people that we have right here under the UTC umbrella.

That this proposal is not only saying to them we want you here, UTC, we want your family of companies here in the state, we want your best and brightest here and those 600 or so a year new engineers that you have to hire we want them here in this state and we're providing the resources in partnership with you, in partnership with you, a private/public partnership.

We want you here in the state and building the things and designing the things that you do and ultimately hopefully getting our fair share of line workers and others doing the work with the suppliers right here in this state.

That's a win/win for Connecticut. It's a win/win for United Technologies, Pratt & Whitney, United Technologies Aerospace Systems, United Technologies Research Center and Sikorsky Aircraft, right here in this small State of Connecticut, the third leading aerospace country -- company in this country.

That's an amazing feat when you think about the size of other states of California, Texas and others that we are the third leading aerospace company and with this we retain that. We give a shot in the arm to

retaining that distinction and even making it better.

So, Madam President, I enthusiastically stand in support of this bill and urge the Chamber to do so as well. Thank you, Madam President

THE CHAIR:

Thank you.

At this point, we're going to take a second for a recess just -- not a recess, we're going to stand at ease for a moment and ask Senator Guglielmo for a point of personal privilege.

SENATOR GUGLIELMO:

Thank you, Madam President, I appreciate it.

I just wanted to have an opportunity to introduce our champions from Woodstock Academy and they told me that Representative Alberts, when he introduced them in the House, did a back handspring in the Well of the House and if you know Mike, like I do, you know that's not true. So I'm not going to duplicate that anyway.

These young ladies won the New England Championship. Stand up, and this is the second time in three years that they've won it. When you win a championship one time, you show you're a great team. When you win a championship multiple times, you show you have a great program.

And as you may recall Woodstock Academy was here last year with their boys' basketball team. They won the state championship which was an awesome accomplishment but no greater than what these young ladies did. They're competing against much bigger schools with much larger population.

And if I could, Madam President, I'd just mention the names of some of -- okay, thank you. We have with us the headmaster, if you could wave if he's up there. Is he up there? Chris Sandford. Is Chris up there? No? Okay.

We have associated headmaster and principal Holly

Singleton. We have the athletic director Aaron Patterson. Is Aaron up there? They're out getting coffee huh? All right. Head coach is Mrs. Robin Deary-Fillmore. Assistant head coach, Mike -- I'm sorry Gene Michael Deary. Are you up there? Hey okay. There's another assistant coach who couldn't be here, Kasey Fillmore.

And then the athletes themselves, Meghan Corey, a freshman; Jacqueline Deary, a junior; Nicole Deary, a junior; Jourdan Fulchino, she's in her second year; Bree Hussong -- how I do with that -- and Bree's a senior; and then we have a junior Mary Incera, is that right? Okay not close huh? Well we're in government work, Mary, you know we just -- we get as close as we can. Grace Logan, a freshman; Courtney Osborn, a senior and Paige Stuyniski, a freshman.

So if we can have a nice welcome and round of applause for these young ladies I'd appreciate it.

THE CHAIR:

Welcome and congratulations to you all and I hope to see you in the Circle one of these days, not just for being applauded but serving. So thank you very, very much.

Senator LeBeau will be back.

The Senate will come back to order for the bill.

Senator LeBeau.

SENATOR LEBEAU:

Thank you, Madam President. Good to see you. You look great in green.

THE CHAIR:

Thank you, sir.

SENATOR LEBEAU:

Let me -- let me just add a few words to the -- the Chair of the Finance Committee's eloquent exposition

on this bill. And the first thing I want to start off with is something I said in Caucus but I want to say it out here on the Floor of the Senate. This bill has drastically been improved from the bill that we originally received some months ago and the person who's responsible for that is the Chairman of Finance, John Fonfara.

The kind of guarantees that we were looking for that we were -- we thought were in the bill actually weren't and John has made sure -- Senator Fonfara has made sure and ensured us that those guarantees are in the bill and that we will -- we -- that this will indeed happen. It will happen under a Malloy administration. It will happen under whoever's administration in the future because it's going to be in legislation and there's solid and we -- we have the kinds of guarantees in the bill that we need going forward to ensure that our investment that we are making and this partnership will endure for at least the next 20 years.

John did a great job of talking about the history of -- of Pratt & Whitney and UTC. I didn't know that Whitney was the cousin of Eli Whitney and you learn something new everyday. But I do know this, this is one of the great companies of the world. It is one of the great companies certainly of Connecticut and the United States.

You know when we became the Arsenal of Democracy, one of the key driving forces behind that during World War II and going into the Cold War was UTC, and particularly Pratt & Whitney. People like Rentschler Field, named after the -- the founders of the company, Frederick Rentschler, people like Charles Lindbergh landed there and Wiley Post and Amelia Earhart.

As a matter of fact if you go in to the -- the museum that -- that is over at Pratt & Whitney and you walk down the hallway when you first walk in, you can go -- there's a little desk about the size of our desks right here, almost exactly the same size as the desk down in the House, and they open it up and under a little pane of glass there's a -- there's -- Lindy wrote his name, Lucky Lindy, his name is right there. He wrote it when he flew into Rentschler Field some

years ago.

There's -- there's little about technology in America that has not been touched by UTC, from the spacesuits that were worn by our astronauts and are still worn by our astronauts or as -- or as the Senator mentioned that about 80 percent of every plane that flies overhead has UTC components. If not engines, then the -- then the environmental equipment that is used and manufactured by what used to be Hamilton Standard and now UTAS.

You know we have -- this is -- now why are we concerned about this? We're concerned about this for our -- for our future, for our children's future and for jobs today and tomorrow and these are the kinds of jobs that we want in Connecticut. There -- on the one hand you've got the highest paying -- some of the highest paying jobs in the country and in the world using the -- the best brain power, the best technology that exists.

Some of the technology is so secret and so advanced that I've heard stories of little pieces of things falling off of equipment and it has to be taken by an armed guard down to Washington, D.C. because the -- the material is just so secret and -- and so delicate in a sense in terms of the future of our country and the material that's made of and its defense implications.

I'd like to -- to reflect on the jobs for a second and to recognize that the Connecticut AFL-CIO supports this legislation because they believe that it will help UTC to put down some solid long-term roots in our community which was lacking in previous agreements and, in return, our communities will continue to provide UTC with the world-class employees it has come -- become accustomed to employ.

Now that's about our -- that's about the employees, it's about the employees on the shop floor, but it's also -- reflects some of the things that we've done in this state. As John -- as Senator Fonfara mentioned it's because of the -- the -- the incentives that were created back in the early 1990s by the Governor and by this legislator -- Legislature and some of the same

people who are sitting here tonight -- today.

That we created an incentive system for them to -- to make investments in research and development in Connecticut. And now what this bill allows them to do -- and that -- that led to the Geared Turbofan, led directly to the Geared Turbofan, and it -- and it helped to bring the investments in the Joint Strike Fighter engine which has now been sole-sourced and which, in a sense, essentially guarantees the future in Connecticut along with this agreement.

So it has to do with the Legislature -- what we do counts. What we do here has -- makes a difference. What we did 22 years ago in providing incentives counted leading to today. What we did last year and in previous investments for the University of Connecticut, the investments particularly in the last year, the 1.5 to $2 billion that we're investing in stem education at the University of Connecticut to create more engineering slots, engineers of all kinds, but certainly aerospace engineers.

We are now providing a pipeline for those people. We're providing a -- a future -- a pipeline at UCONN and a future for where our young people can go helping to create a place for them, for your children and my children and for our grandchildren.

And the initiative on the part of the Governor has to be really lauded of making those phone calls to Louis Chenevert. This was a company that four years ago said any place but Connecticut and now they are making a $500 million investment in the State of Connecticut.

And I rise today as a -- as Senator from East Hartford, living in East Hartford, representing East Hartford and three other communities. But the jobs that will be created will be all over Connecticut and again Senator Fonfara mentioned the thousands of suppliers. But there's really a core of suppliers. The core of suppliers are the 200 -- the 220 job shops, machine shops that do a lot of the -- the essential work.

Now we have work in the -- in the factory themselves. We have work down in Middletown. We have work in East

Hartford and we're hoping that that expands but a lot of this work, and there's no way I can avoid this, but are good paying jobs in other manufacturing facilities throughout the state from Cheshire to Plainville to Hartford to Stamford.

The machine shops and the -- and the job shops in this -- in this state are going to be enhanced by this bill, are going to be enhanced by having the engineering and the technological leadership in this state right here right across the river in East Hartford.

Because every community, every -- every major company needs to have its production facilities, or a lot of its production facilities, near its engineering so they can work on problems as they developed because problems with inevitably develop and so they can work on solving issues going forward, so they can put the best -- their best minds into small and major improvements in the manufacturing process as things progress.

And to have UTRC, also a major investment, UTRC, employing hundreds of PhD level scientists right in East Hartford. To have that continued for another 20 years and to have that invested in by this corporation is great for the State of Connecticut.

So I am -- I stand in enthusiastic support of this bill. I thank Senator Fonfara for bringing this out, for improving the bill. I thank the Governor and his staff, I thank the Governor particularly for his initiative, for getting out there, for -- for putting us on the map, changing the -- the perception of the State of Connecticut through this bill and through this partnership.

And I -- and I thank the Governor's staff for working on this bill from Mr. Barnes, the Secretary of OPM, to all of his staff working on this including the DECD Commissioner and everyone else who's worked on this along with the Legislative staff who have done a tremendous job on this.

I'm sure the Senator will elucidate on that more later but I want to say thank you as the Chairman of the

Commerce Committee for probably the single biggest commerce initiative that we've seen in my -- at least my 20 -- 24 years that I've been a Legislator.

Thank you, Madam President.

THE CHAIR:

Thank you.

Will you remark? Senator Frantz.

SENATOR FRANTZ:

Yes thank you, Madam President.

Let me start by saying that UTC and all of its companies, its subsidiaries, are truly exceptional institutions and they mean a tremendous amount to the State of Connecticut as well as to the United States of America and more recently, meaning over the last 45 or 50 years, to literally the rest of the world because their products and their services are in -- in just about every single country in the world improving the lives of many.

It is truly an impressive set of institutions. They played a great role, not only in the economy here in Connecticut employing over tens of thousands, maybe even 100,000 people over the course of their existence, but they have played a key strategic role in numerous conflicts that this country has been involved in.

And when Senator LeBeau mentioned the term, which I like to use every once in a while, the Arsenal of Democracy, it really is the Arsenal of Democracy and freedom and when you're talking about the kind of equipment that Pratt & Whitney has designed and built over the years put into our aircraft and we all know, now that we have this perspective of World War I, World War II and numerous other wars under our belt, that air superiority makes all the difference in the world and I would have no problem taking this microphone at any point and saying that Pratt & Whitney was one of the integral -- integral manufacturers and suppliers that allowed us to win

World War II which was the great big turning point that allowed this country to put itself in a leadership role and cause more good for the world in so many different ways than any other country ever in the history of mankind.

Their contributions, economic development-wise, to the State of Connecticut and all over the country for that matter are -- are huge. We all know that. To put a number on that is impossible to do but we know it's huge and they've employed, as I said before, probably well over 100,000 people over the course of their existence.

I know their products myself. I've spent a lot of time behind their radial engines which were built literally going all the way back to the thirties and forties and, you know, you -- you have to -- you have to laugh a little bit because their logo says Pratt & Whitney Dependable Engines.

I mean you talk about an understatement. It's so subtle, so New England-like. Those engines are bullet proof and I've spent about a year of my life of -- as far as waking hours are concerned behind a more modern one of their engines without one hiccup. It is so incredible what they make from a technological point of view.

Obviously I'm going to be a strong yes on this -- on this bill and -- and I won't run through the history that I know, the history of aviation and defense and aerospace in Connecticut is incredible. As well Pratt & Whitney is obviously the biggest part of that and they should heralded for that and complimented for that.

But despite being a strong yes I do think we need to ask ourselves this question in the Circle and -- and downstairs as well. Why are we having to do a deal like this and -- and consider a bill like this in the first place? I'm not sure who made the overture first, whether it was the state or whether it was Pratt & Whitney coming to the State of Connecticut asking to see what could be done, that I don't know.

But regardless of that, the deal has been discussed

for many months now and the question we should be asking is why does this really have to take place? It would be my dream and my hope, as it -- I'm sure it would be all of yours as well, to not have to do deals like this. To just let Pratt & Whitney, UTC and all of their other companies just thrive in the world's best -- or the country's best business environment.

We know we are struggling in that area and hence we do have to look at deals like this and -- and, you know, we continue to rank I think way too low in so many important categories related to commerce, related to business, related to taxes, where to retire, job growth and we -- we know that we've had a tough time creating jobs for not just, you know, the great recession here, but since, you know, the -- the 1980s -- mid-1980s we've lost well over 100,000 manufacturing jobs and we have not created any new jobs since then.

So that's a record we really need to work on. This is a -- it's a big deal. It's -- it's 400 -- potentially $400 million and I believe it's money well spent given where we are, given the reality of today's situation in 2014 in the month of April.

I would consider this intelligent defense. I think it's unfortunate that Connecticut does have to play defense in the economic development competition and, if we do have to play it, I think we're doing it intelligently by constructing this deal, or approving this deal, that was negotiated by the Commissioner of the DECD and also the Governor and perhaps some others.

The intelligent part of it is that we're not bonding for this. We're not making this a line item in the General Fund budget. We're not doing something that is anything less than completely transparent. What we're doing is we are granting UTC, Pratt & Whitney and -- and Sikorsky, over a five year period, not 14 years which is the case for Pratt & Whitney, the ability to use these R&D tax credits that have built up over the course of the time to the tune of about $400 million.

This is foregone revenue in the future to the State of

Connecticut over that 14 or 15 year period and they're making an investment nearly immediately of not just the $500 million previously referred to but probably in the order of $4 billion worth of R&D investments.

We know that there are huge spinoffs to R&D investments, not just the jobs, but also the other economic development value adds to the -- to the economy.

So this is, at the end of the day, a really decent way to get this done given where we are. And having said that, I think one of the more rhetorical questions I will have, because I know that many of my constituents will be asking me this question, this is a rhetorical one if you want to address it, through you, Madam President, in a -- in a minute or so, the question is why are we, as a Legislative body, looking at a bill that gives a wide amount of latitude and discretion to the Commissioner of the DECD when we're talking about pretty big bucks here, 400 plus or minor million dollars of -- of foregone revenue to the State of Connecticut?

And yes Pratt & Whitney will be more than making up for this, we all know that, but this is just a matter of how these deals are negotiated and how these bills are -- are generated. The -- the rhetorical question would be, you know, why aren't we in -- in the State Senate today considering the terms, specific terms, of a final deal in front of us?

Smaller deals, I get it, there's no need for that. We don't need to micromanage and we've got great people at the DECD including the Commissioner who gets these things done and gets them done on time and to the benefit of the State of Connecticut.

And now, Madam President, through you, I do have some specific questions to Senator Fonfara who is the proponent of the bill here today.

THE CHAIR:

Please proceed, sir.

SENATOR FRANTZ:

Thank you, Madam President.

Through you, Senator Fonfara, the bill is not specific to UTC, Pratt & Whitney, Sikorsky or any of their subsidiaries of UTC. Do we know are there any other companies in the State of Connecticut that would fit the description in the bill?

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, I do not believe there are any that would qualify.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you.

I though that Electric Boat might fit the -- fit the bill here as well but I -- I came up with -- with a big no as well. And you know some people will ask, you don't have to answer the question, but some people will ask why don't you just put down UTC in the -- in the bill or Sikorsky and Pratt & Whitney.

Second question, I know I will get this question from constituents as well, and it has nothing to do with my positive opinion of this bill, but I'd love to get some further reinforcement as to how we can do this for Pratt & Whitney and not really for everybody in the manufacturing business or maybe everybody in the aerospace or defense industries in the State of Connecticut.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, while I think that as the gentleman knows that this company is the largest private sector employer in the State of Connecticut. One that has a reach, not only in terms of direct employees, but also suppliers that range in the thousands.

That's not only in terms of people working but jobs, people earning livings that they themselves designing and producing cutting edge initiatives to support the initiatives at Pratt & Whitney and at Sikorsky.

There's not another company in the state that has the kind of reach that this company has across the board throughout our state and there's also not another company that I know of that has the degree of R&D tax credits built up over many years that they will redeem if we did not do this project, over time they would redeem those.

This is an acceleration of that to the tune of approximately half of their earned tax credits and in return -- so they paid for those already. They've earned them under our law already and they do redeem them annually.

This is an acceleration of that and what do we have in return? A recommitment to the home state of United Technologies and its numerous companies, to this state, building infrastructure, building equipment and -- and machinery that will result in more engineers creating -- producing the next generation of products that this company will build, some of them here, many not. That's the reality of our world today in a global economy.

But we do something really well. We think of things and this company is at the very cutting edge, the leading company in the state I would argue, in putting people to work in that regard. And as I said in my opening remarks, I'll make that bet. I think this bill is about making that bet that not only are we providing the -- the reinforcements and the -- the recommitment, and by the way, and this is through conversations with people at UTC, at Pratt, the excitement from the top on down in this company and --

and all the companies that this proposal, this bill, this investment by the company and by the state saying we want to partner with you. We want you here for the long haul and the company is saying yes.

The -- the excitement that that is producing from -- from the executive offices to the line workers that -- that somebody wants us here and we have hope that we're going to be here, that's what this is doing and to the suppliers throughout the state who see opportunity going forward.

That's why this is a -- a worthwhile investment and I don't think there's another company, as great as the companies we have in this state, that can say that across the board, the reach, the depth, the opportunity that United Technologies and its family of companies that this bill will be supporting has.

Thank you, Madam President.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you.

And thank you, through you, Madam President, for that answer, a comprehensive answer. And I'm glad you brought up the concept of these R&D tax credits having been earned. That was something I meant to say before which is these are earned tax credits and we know for a fact that R&D done in the state, and anywhere in this country, anywhere in the world really for that matter, has a great spinoff and multiplier component to it.

So they've more than earned their -- I think it's just under $1 billion worth of these R&D tax credits, much of which, through this -- this legislation, this bill, will be realized for them into something that will definitely help them.

Another question, through you, Madam President, to Senate Fonfara.

Through you, Madam President. There is a current contract that Sikorsky has for 650 H-60 helicopters. Are you familiar with how stable or how short that contract is?

THE CHAIR:

Senator Fonfara.

SENATOR FRANTZ:

And the reason why I ask, through you, Madam President, is -- is there are some notes in their annual -- annual financial disclosure that talks about the volatility and uncertainty of some of these contracts.

Through you, Madam President.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, as I tried to indicate in my opening remarks that clearly the military is going through major reconsideration, some of that sequestration related. Some of it is just a change in how the military does its job. Some of it is directly related to aircraft. Some of it is -- is indirect but having an effect on the aircraft industry and the helicopter industry such as changing ways in which ships are built and aircraft carriers are built, affecting and the downsizing of that.

So it is in an unsettled time but this company, Sikorsky we're speaking about, which has multi-year contracts and will continue to build as an example the Black Hawk for years to come. But it is designing, has designed, is -- has the interest of the Army as an example and new approaches to helicopter production.

And this proposal is -- is providing further incentives to do additional research, additional design work, not only on current aircraft, but future

opportunities. And again we're investing in the future. We're saying we believe in this company, we want Sikorsky here. They're headquartered here. Their history is here in the Sikorsky family and to -- to be able to take advantage of these changing times, to be on the front line of opportunities, whichever the military goes, whichever way private aircraft opportunities go and that I think is -- is certain even in a very uncertain time.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you.

Through you, Madam President, thank you for that answer. I share your enthusiasm for this company. I share your sense of optimism and I do think it's a great bet as well. There are a couple of other potential windfall contracts for Pratt & Whitney and Sikorsky.

The F-135 program is -- is a good meat and potatoes program that's just gotten better because of the focus on that particular aircraft program as opposed to some of the other more traditional legacy programs which will probably go by the wayside. They make the engines form. They're the sole provider at this point so I assume that that's very good.

There are two other potential barn burners for them and the Marine One contract, which is the Presidential helicopter contract, is still up for grabs and they have to be one of the front runners in that competition because they build the best helicopters in the world.

There's a new generation of helicopters that the military is considering at this point called the SB-1 Defiant and that could be up to 4,000 helicopters over 15 plus years. Clearly they would be a front runner even at this early stage in the generation -- in the genesis of that program.

So through you, Madam President, the question for Senate Fonfara is that given the downside of UTC's business, and particularly Pratt & Whitney and Sikorsky, is probably somewhat limited. The upside, if you look at it from an odds and -- and a risk and -- and rhetorical point of view, is probably greater than -- than the downside by megatudes.

Is there anything in this deal that if things were to go fantastic for them, I mean way ahead of their own expectations because they were -- they were winners of some of these lucrative contracts, is there anything that kind of gives the state anything back in the near or long-term future given that that is a possible scenario going forward?

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Madam President, if I could, through you, are you referring to Pratt & Whitney in terms of your question? Is that what you're asking?

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Through you, Madam President, both to Pratt & Whitney and Sikorsky. Say Sikorsky, in the next two years, got the Presidential helicopter contract, Marine One, and -- and got a -- another huge contract for Next Generation helicopters, hypothetical, and then -- and then Pratt & Whitney got the engine contract on that new Next Generation helicopter and they were -- you know say they -- they were up 45 percent in revenues and the same in terms of the bottom line pre-tax income, would -- would there be any -- you know we're -- we're extending to them 400 plus or million dollars worth of tax credits.

Would -- would there be any givebacks or is it just the -- the return to the State of Connecticut in terms

of their great success, jobs and more money to the state?

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

What -- what this proposal does is it changes the conversation internally at Sikorsky, at Pratt & Whitney, and the other facilities when decisions are being made as to where investments will be. Now there's something on the table that, prior to this bill, was not on the table and had no likelihood of being on the table.

Now whether those decisions end up resulting in Connecticut seeing further investments because of it, time will tell. But we hope they have that success don't we. And so when decisions are made about what will be built -- built where and what decisions will be made regarding Connecticut versus another state or another country, remember this is a global company that looks at all these factors.

We've just put another marker down that has the name Connecticut on it. That changes the conversation. That's what we're here for. That's what this is about as Legislators and as a governor. That's what people elect us for and that's what this bill is doing.

And we hope and we pray that the success of UTC, some of it directly related to the decisions we've made previously about providing them R&D tax credits to make those decisions and that research being done here that results in further work, that future opportunities, based on these new buildings and these -- this new equipment that decisions that -- that outcomes from that will result in future decisions being -- enuring to the benefit of our state.

And that's what I would say is the -- is the hope if the Presidential helicopter is awarded to Sikorsky and others that are pending.

Through you, Madam President.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you.

And thank you for those answers, through you, Madam President. The second to last question I have for Senator Fonfara is there are -- there is a weighting formula, a set of metrics that they're going to use in year five and beyond to determine the value of the R&D tax credits to Pratt & Whitney going forward.

Are you comfortable with those -- or with that particular formula and is that the -- is that a guideline or is that a firm fixed formula that the Commissioner at DECD has to used?

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, that's why we wanted to have the language in the bill so that as time passes and -- and whether it's this administration, this DECD Commissioner or other DECD Commissioners who will -- that will have oversight of this contract, that any change in that contract, if it were to happen, would be guided by, bound by, the terms under law.

Now they could come back to the Legislature and ask for a rewrite but that would a decision of the Legislature not solely of -- at the discretion of the Commissioner and I thought, and most of us thought, that that was an important provision. I am comfortable with those parameters.

They will be adjusted based on certified analysis by the company of where they are in total employment, engineering employment, capital expenditures, payroll and once that certification is made then there will be a decision as to where they are today and where growth

or reductions in any of those four categories and the scale that has been provided for in the bill would determine, based on the level of investment, what their ultimate ability to claim credits would be.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you.

And why don't I make that my last question, Madam President, and let me wrap up by saying I share the Senator -- both Senators great enthusiasm for this family of companies and this is a, at the end of the deal, it is a defensive -- at the end of the day it's a defensive deal. We need to do a lot of work in the State of Connecticut to improve our business and manufacturing environment.

But having said that, this is a good day for the State of Connecticut. We are taking one of the all-time great companies that this nation has ever known and we are so lucky to have them right here in our backyard and we're giving them a little more support and a pat on the back saying thank you for all you've done for this state and -- and God speed for the future.

Thank you, Madam President.

THE CHAIR:

Thank you.

Will you remark? Senator Witkos.

SENATOR WITKOS:

Thank you, Madam President.

You know I generally don't support what one may consider a -- a government bailout but I don't consider this a government bailout. I consider this a government investment and I voted for this bill in the Finance Committee and I'm prepared to vote for it

today and I want to thank Senator Fonfara, Senator LeBeau and Senator Frantz for your comments because it makes it a little bit easier -- a little bit easier to understand why this bill before us is so important, not only for our largest private employer in the State of Connecticut, but for all those that work there.

And I tell you I can't receive another email or phone call at my house telling me they just got laid off or they just -- they just lost their job from another company in our state because I know how bad I feel when I get the phone call. I just can't imagine how the person on the other end of the phone must feel making that phone call.

And as the speakers before me had said this is -- these are tax credits that have been earned by this company. And what we're doing is we're accelerating that so they can get that money back. And I just want to make it very clear to the folks if they're listening at home that while we're looking at a $400 million investment from the state's perspective, the company, UTC, has offered a $500 million investment over that same period of time matching more than one for one.

Not only that but because of my district being in close proximity to Pratt & Whitney, to UTC, I have many of my constituents that work in those facilities and have worked for generations. I can't tell you how people say well working for UTC or Pratt & Whitney is the type of job where, once you get hired, it's such a great company you stay until you retire.

You don't find that nowadays. But the folks that work there enjoy their jobs. They enjoy working for the company and they feel that they are well-treated by those.

The other part that I thought was important to know -- for people to know is that there are over 2,000 businesses that have direct or indirect contracts with Pratt & Whitney, with over 700 of them I was told that have $100,000 or more. Imagine if UTC picked up and moved to another state and had to go out and find, because somebody would -- would do the same type of work, the 2,500 businesses that would be impacted in

our state would have a devastating impact on our economy, far worse than the small investment that we're making here from a state perspective.

So I stand with the previous speakers in strong support of the legislation today and urge my colleagues to do the same.

Thank you, Madam President.

THE CHAIR:

Thank you.

Senator Crisco.

SENATOR CRISCO:

Thank you, Madam President.

Madam President, I stand in support of the legislation and associate myself with the remarks of my colleagues. I wish to commend Senator Fonfara for his leadership and Senator LeBeau and Senator Frantz for all their work.

But I think we have to also keep in mind that United Technologies is not only a builder of engines and helicopters but a builder and developer of people, people who contribute so significantly to the State of Connecticut who go on and work for subcontractors.

And also their corporate responsibility aspect. They were very early involved in the -- in the Special Olympics, very involved in the arts, the UTC engineering building at the University of Connecticut. But I would be remiss if I did not mention one name and that is the name of Harry Gray who was inducted into our Hall of Fame several years ago for his contribution to the state, to the country and to the world.

He personifies what UTC is all about. Remember before Harry Gray arrived, and so many people have contributed to the success of UTC, it was United Aircraft and he transcended it into United Technologies Corporation what it is today.

So we have so much to be thankful for and so many people to thank because these men and women have contributed significantly. Just think of the thousands and thousands of children that were educated, the thousands of homes that were purchased all because UTC was here.

So let me conclude, Madam President, that I think the best thing I could say is that United Technologies is all things Connecticut.

Thank you, Madam President.

THE CHAIR:

Thank you.

Senator McLachlan.

SENATOR McLACHLAN:

Thank you, Madam President.

I rise in support of this bill. I thank Senator Fonfara and all of those who have worked very hard on this bill over the last several months. It is indeed a little unusual for me to support this type of legislation. As my colleague, Senator Witkos, indicated I tend to be very reserved in the way of offering business credits if it appears to be a handout but I must tell you this, in my estimation, is exactly the way state government should proceed if we're going to incentivize business to grow in our state.

And certainly these credits are earned already. They're already in the bank. This company has already demonstrated investment here in Connecticut. We are now allowing them to essentially spend the credits that they already have in the bank.

In the City of Danbury, back in 2011, we were very concerned about the former PerkinElmer facility which was then owned by Goodrich Corporation. We were worried what was going to happen if Goodrich was on the market and what would happen to that facility and

the business that had operated there for so many years.

Frankly we were relieved when United Technologies purchased Goodrich and with it the facility in Danbury, 450,000 square feet, nearly 700 employees now and 100 of those employees have been added since United Technologies' acquisition is my understanding.

This ISR Systems which stands for Intelligence, Surveillance and Reconnaissance became famous across the world as the maker of the Hubble Telescope, or parts of the Hubble Telescope, but they have been in the space reconnaissance business for an awful long time.

What does it mean to Danbury and this nearly 700 employees I think is not as perhaps exciting as it is for Pratt & Whitney and East Hartford and -- and Sikorsky Aircraft in Shelton but it is important because I believe that the parent company is going to be focused on the Connecticut presence and that is what we're all concerned about as Legislators across the state, but especially in western Connecticut when we're sort of a remote part of the UTC family.

Not only the 700 employees but I understand in Danbury and Bethel there are 36 subcontractors that work for United Technologies and those are additional jobs that are helped along by way of these tax credits.

So, Madam President, I stand in firm support of this bill and once again thanks to all -- all who have worked so hard on it.

Thank you.

THE CHAIR:

Thank you.

Senator Boucher.

SENATOR BOUCHER:

Thank you and good afternoon, Madam President.

THE CHAIR:

Good afternoon, Ma'am.

SENATOR BOUCHER:

Good afternoon.

It is a pleasure to rise in support of a proposal that differs greatly from some of the other bills that some of us have had to oppose and I've spent some energy in discussing some of the proposals that would not be quite as friendly to the businesses in our state.

There's no question that this is the largest business that we have, outside of state government itself which is even larger, however, not only does this represent one of the most important industries on so many levels, not just for Connecticut, but for the entire country and I might maintain even provides great pieces of equipment and technology all over the world, but it also, as been mentioned many times, represents a spill off business to so many smaller -- not even just, when we talk about small defense manufacturers that also do business with UTC or reap the benefits of doing business with them, but also smaller businesses we don't even talk about in the various communities like our dry cleaners and our grocery stores and our retailers.

This is very significant but we should remind us that 70 percent of business is really small business in Connecticut. This is such a good start. It's going in the right direction and -- and in a very positive way actually is more flexible than many of the bills that we entertain and we've entertained in the past. It gives them some flexibility to run the businesses as they need to given that they're an international company with competitive constraints on their business from other firms around the world.

I would just like to conclude my remarks by saying we -- this is a step in the right direction. We could do more and we should pay attention to our next door neighbor, New York, that just recently, on March 31st, passed a series of proposals, corporate proposals, that we might want to pursue in light of what we've

just done here as it's a good segue into it.

Some of those things that they're doing, if they had done them prior to a ranking coming out, would have catapulted them from 25th in the country as the best state to do business to number four and some of those things, those four different -- or five different proposals that they have actually enacted and passed would take their four different tax bases for calculating corporate tax and reducing them to just three.

They would, in fact, eliminate the corporate AMT tax and further reduce to two over time eliminating the capital stock base. They would take their corporate net income tax rate from their current 71. -- 7.1 percent to 6.5, the lowest since 1968. In other words, they really took this seriously.

One of the other things they proposed was taking the duplicate bank tax system, merging it into a better developed corporate tax system and they even approached their estate tax as it pertains to -- to business by exempting many small businesses from hefty taxes upon the death of their owners including the generations -- generations skipping transfer tax, repealing that.

They are taking their net operating losses and restructuring them to reduce uncertainty for taxpayers and taking the net operating loss as carrybacks, extending them to three years and their $10,000 cap on it is removed.

They also, interestingly enough, repealed something that we've been asked to for many years, repeal the add-on minimum tax that they put on a number of their residents there.

So all of these very fine ideas would be something that Connecticut should consider in future sessions hopefully and -- and may -- making -- and taking at least a lead from our neighboring state so that we not only embark on this very good bill today in helping our largest employer and business, but also helping all the other businesses in Connecticut that really need attention as well.

So again I lend my support to all the others this afternoon. It's a good bill and I hope it's just the beginning of a trend.

Thank you, Madam President.

THE CHAIR:

Thank you.

Senator Guglielmo.

SENATOR GUGLIELMO:

Thank you, Madam President.

I agree with many of the things said by the previous speakers. UTC we're very lucky to have them here in Connecticut. They have a proud history. They produce a great product, there's no question, both in wartime and peace.

When you fly you're always happy to see that they've got the Pratt & Whitney engines on the planes. It's comforting. And they've been -- been an economic driver for Connecticut for many, many years.

But I do have problems with the concept of picking winners and losers and I know a lot of you have talked to small businesses in your own towns because I do and I'm sure you do and they're -- they're struggling.

There's no -- there's really no expendable income on the part of consumers here in our state and so when you take a large chunk of money like this and parcel it out to one corporation, it makes them wonder where they fit into the picture. And -- and I will say this much about it, it's the best of a lot of bad deals. I mean it's better than Starwood. It's better than Jackson Labs. It's better than ESPN. It's better than NBC because of the kind of company that UTC is.

But when you -- when you cut to the chase on it, it's still corporate welfare. It's still picking a winner and leaving a lot of losers in the dust.

And then the timelines of the deal are kind of interesting too. You're talking about five, ten, fifteen years, that's all. What do you suppose is going to happen in ten years or eight years when this deal starts to wind down? Are they coming back again and looking for more money?

I mean this is a healthy company. They've got $6 billion in profits, that's b with a billion, b, b, b, billion in profits. It's a huge successful corporation. I don't begrudge them that. I think it's wonderful that they're here.

But the short timeframe is of concern. So when you dig into the contract and you look at the fact that if they do not create a single job, not a single job in this five, ten, fifteen year period, they'll get 90 percent of that $400 million. That's incredible. I mean it's a terrific deal for UTC.

You know I also understand that in some of their own publications that they were planning to move ahead with some of these projects prior to any discussions with the State of Connecticut. So that leads me to believe we would have had some or all of these anyway.

And -- and just think about this for a minute. You know you're talking about $400 million. You're talking about a company that has $6 billion in profits. Four hundred million dollar project I didn't do the math exactly but that's 7.8 percent of one year's earnings to build their headquarters.

Can you imagine if you had any company in your district that could -- could build infrastructure with less than 10 percent of one year's profits, this is a drop in the bucket for UTC and when you put on top of that the low interest rates, they could easily do this.

So it makes you wonder what the commitment is to the State of Connecticut. I mean we all heard the ABC quote, anyplace but Connecticut. I've heard it more than once. So it makes me a little queasy when I think of giving them $400 million to somebody who said anyplace but Connecticut.

And then you look at the other needs in Connecticut. I mean you all -- we're all talking to people who have been approached by -- who have youngsters with traumatic brain injury who are struggling. They've had meetings here which we've attended.

People on waiver lists for services for seven years for children that are severely disabled and they tell you their life story and you wonder when you sit there how in the world -- these people are tough, they're strong. How -- how they do this each and every day get up and go ahead with the struggles. So we've got unmet needs and that's not even counting the staggering debt we have, the unfunded liabilities, the underfunded liabilities.

So I guess, you know, playing defense is fine but at some point we've got to stop digging the hole because this is not a sustainable course. I mean I think we all know that. We cannot keep throwing money at this large company and that large company.

Small businesses, yes I can understand. A small business express I thought was fine. I thought it was a good program. Those people are going to stay here. They live here. Their grandkids live here. They're not going to North Carolina or South Carolina and move their business. It's not even possible for them to do it because they'd get no money from those states to come because they're too small so they're going to stay.

So if you want to -- if -- if government feels they want to help small business with programs such as the Small Business Express, and -- and I think that's -- that's fine, but -- but this course around of throwing $291 million to Jackson Labs and you do $400 million to UTC and I can't even remember Starwood. They were like 90 some million dollars and it goes on and on and on.

When you're in a hole, the first thing you've got to do is stop digging and we haven't done that. So I -- I don't think there will be many no votes here but I wish that some folks would reconsider and -- reconsider and possibly give a no vote.

Thank you very much, Madam President.

THE CHAIR:

Thank you.

Will you remark? Will you remark? Senator Welch.

SENATOR WELCH:

Thank you, Madam President.

Thank you, Senator Guglielmo, for those I think thought-provoking words. There's no doubt in my mind that -- that UTC is a great organization and all that was said prior are good thoughts, good comments and great things that this company has done and really they -- they ought to be applauded for all of that.

But I think part of this debate that we haven't heard much about, part of this debate is why -- why are we doing this? And I would submit to everybody here that the reason why we're doing this because we have a bad environment for businesses in this state, a bad environment.

And if weren't for that, we might not be having a conversation about how do we keep UTC here, we might be having conversations about how do we get more companies like UTC here and it would be a much easier conversation to have.

And how did we get this bad environment? Why are we in the situation that we're in? Is it -- is it businesses that created an anti-business, anti-employer culture? No it's not. It's us. It's this building. It's government. It's our excessive spending, our excessive taxation, our -- our over-regulation and, frankly, that's the discussion we ought to be having today. How do we change that? How do we end that? How do we make Connecticut a better place, not just for UTC and the people that work there and its subcontractors, I get that, but for every business to do business here so that our unemployment rate really comes down, not marginally comes down, really comes down?

Madam President, I've heard the saying what's good for UTC is -- is good for Connecticut and I suppose some can -- can use that to justify supporting this bill and -- and possibly rightfully so. But I would submit that that works the other way too.

If we're here saying that what's good for UTC is less taxes, then what's good for Connecticut is less taxes. And frankly that's the paradigm we ought to be working in. That's the thought process that we should be moving through.

You could -- you could put it another way. Was a $3 billion tax increase good for UTC? Rating the -- the special transportation funds, hundreds of millions of dollars, was that good for UTC? Absolutely not. Was that good for Connecticut? No way.

And I think all of this brings me to my final point and -- and Senator Guglielmo touched on this and that is the negotiation process. There've been a lot of I would say bad deals, not that this is necessarily one of them, but there have been a lot of bad deals here and you have to ask yourself why.

Well I think there's a number of answers to that question. But I think probably one of the most important answers, one of the most important answers is the bad business climate we have created here and why is that? Because it's that climate that allows UTC to say we want to leave, anywhere but Connecticut, whatever it is.

And it's that business climate that causes this building to say oh no absolutely not, anything you want, whatever it is, here you go. We're negotiating from a -- from a position of weakness and it's a position of weakness that we have created for ourselves.

Madam President, I -- I don't mean anything I said here today to be dispositive or persuasive as to how somebody votes on this bill. I think it's just very important to take this moment, to take this opportunity to I think illustrate what are the true problems that we are facing, the true issues that we need to wrestle with if we are ever going to stop

digging as Senator Guglielmo I think so wisely said.

Madam President, thank you for your time.

THE CHAIR:

Thank you.

Will you remark? Senator Kelly.

SENATOR KELLY:

Thank you, Madam President.

And thank you, Senators Welch and Guglielmo for telling us about the present state of affairs of the Connecticut economy that has brought us to this point. In my district we make the world's best helicopter. Igor Sikorsky's dream was not just of military application but it was humanitarian. It was made to help people and to preserve and protect human life.

The engineers from UTC, and in specific Sikorsky, make those helicopters. They've made them to be the best in the world and their research and development keeps us on the cutting edge so that we can continue to make those helicopters that save lives and put Connecticut's families to work.

While I support this bill because it keeps those jobs in Connecticut for today, one of the concerns I have with the bill is that with regards to Sikorsky it's only good for five years. So for five years we're going to help the hardworking families of Connecticut that build these world-class products that make us all proud when we travel and meet other people from other states and say yes I'm from Connecticut, the home of the Sikorsky helicopter.

But the problem is the economy of Connecticut is requiring us to do this and if we don't change course and set our state on a new road, we're going to stay in the same place we are and then what happens to the families of Monroe and Seymour and Stratford and Shelton in five years?

That's a concern. As Senator Guglielmo said let's put

the shovel away. Now in the past I have always believed that we have the 1.5 billion in unused R&D tax credits. They're already there. They've already been earned.

So what we need to do as a state is to unleash that economic power to continue to not only develop quality products here in our state, which we know we can do with the talent that we have, but to also help our businesses continue to employ our families.

This is a bill that's going to tap that resource, a resource that I believe was -- was good in the past, I believe it's good today, I think it's also good tomorrow. And it's not just good for UTC. I've always believed that we should help the major corporations use these tax credits particularly if they're going to use the smaller suppliers, the small businesses of Connecticut, and use these tax credits as an incentive to use our own homegrown talent.

I also recognize that with regards to defense contracts we are also dealing with forces well beyond Connecticut and that these are national in scope, particularly with regards to Sikorsky that, according to UTC information, has almost 86 percent of its contracts tied to military application.

So we do have to be mindful that there are forces beyond what we do here and so we need to help our companies that are in that situation and, therefore, I think a use of these tax credits that have already been earned is a good and wise use of them particularly if it's going to help keep jobs today in Connecticut.

I think that's what -- I know when I ran in 2010 for the first time jobs was an important component of what I ran on. This is an example of trying to keep the jobs here in Connecticut. But as we've heard, we have to do more.

This is a start. I certainly hope that it is by no means a finish. That what we need to do is not only use tax credits but we have to have a better tax policy that reduces our tax burden on our -- on our -- not only on our businesses but on our families,

reduces the regulation of our state that's an impediment to job creation and reduce the footprint of the State of Connecticut to that which our people can afford.

Thank you, Madam President.

THE CHAIR:

Thank you.

Senator Meyer.

SENATOR MEYER:

Thanks, Madam President.

I want to strongly rebut the suggestion that we need to give these financial incentives in order to keep companies in Connecticut. I strongly rebut that. I will tell you from personal and professional experience that the State of Connecticut is engaged in a global competition with other countries and other states in this country who are offering many diverse financial incentives.

You look right next door to us at the Empire State of New York. It has a program that's extremely public today. It's offering companies to come to New York ten years tax free, ten years tax free. Look at the programs that are being offered by Texas, North Carolina, Virginia. We are in a competition with those states.

Thank goodness we've offered some incentives. Thank goodness we -- we've had a Small Business Express, that we've had two First Fives, that we've reached out to -- to UTC with -- with these incentives. This is enabling us to compete. It's the only way that we're going to be able to compete.

And -- and to suggest that because our state is in -- in difficult financial shape we have to do this in order to bribe companies to stay, is very, very misleading in a country that is in -- in a very strong economic competition with many incentives being offered by other states and -- and particularly

looking right next door.

Television ad last night from New York, ten years tax free. You know we -- we -- New York has gone beyond us. We're offering some -- some, you know, tax credits. This -- we -- we probably are not doing enough in the way of incentives. We probably should be doing more.

So I -- I just -- I just think that those in the Circle who believe that we need to do this in order to keep the companies here and don't recognize the bigger picture, you know, are -- are mistaken and I urge you to reconsider your thoughts in that regard.

Thank you, Madam President.

THE CHAIR:

Thank you.

Will you remark further? Senator Kane.

SENATOR KANE:

Thank you, Madam President.

I rise for a number of questions, through you, to the proponent of the bill.

THE CHAIR:

Please proceed, sir.

SENATOR KANE:

Thank you, Madam President.

Senator Fonfara, in your -- in your initial remarks you referred to UTC as the company and Senator Frantz subsequently asked you if any other companies could fit under the description of this bill and I think your answer was no.

And I understand that the bill is before your committee because of negotiations made by this administration and DECD with UTC but as it -- did it

-- to Senator Meyer's point did it dawn on the committee to look at everyone else? Maybe this is something that could be offered to other companies?

Through you, Madam President.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, yes and it did, with the administration and its -- in its draft of this bill initially and it's why it's written the way it is that if there were other companies that could meet the very strict criteria, that they'd be considered.

Now clearly you wouldn't want to have a number of companies coming forward seeking tax breaks to the degree that this was but again I think it may be lost on the part of some people in discussion here today that these are credits that have been earned already.

United Technologies will be able to claim and does claim on an annual basis a certain percentage of credits that they have accumulated based on the research and development work that they've done already but haven't claimed yet. And so the -- the way this is written is a very strict one. There may be another company that qualifies for some of these -- the criteria.

I'm not certain there's any that would -- would qualify for each of the specific points within that.

Through you.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

And -- which leads me to my next question. In 1993,

and I -- I don't believe you were here, I'm not sure, but the program that was created, the R&D tax credits in Connecticut, was that created for UTC or was that created for all companies to take advantage of?

When -- when you talk about the $1.4 billion in unclaimed tax credits, are those strictly UTC's tax credits or is it something part of this 1993 proposal?

Through you.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

I don't know if the number is published, through you, Madam President, but I don't know if you're inaccurate in the number you've represented that UTC has -- is holding for research that it has done and would qualify under the R&D tax credit.

Through you.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

I -- I -- if -- if I'm wrong I apologize. I thought that was in your opening remarks the 1.4 billion. Am I not correct in that?

THE CHAIR:

Senator Fonfara.

SENATOR KANE:

No -- if I'm wrong, I'm wrong. I saw it somewhere. Maybe it's in --

THE CHAIR:

Senator Kane

SENATOR KANE:

-- thank you, Madam President.

Maybe it's in the testimony that Secretary Barnes and Commissioner Smith offered to your committee when discussing -- yeah -- well -- I -- here it is, yeah. It's in Secretary Barnes and Commissioner Smith's PowerPoint presentation I guess that was given to the Finance, Revenue and Bonding Committee and it says that at the end of fiscal year 2013, 4.8 million in R&D credits claimed. The majority of these were claimed in the manufacturing sector. There were 1.4 billion in unclaimed R&D tax credits.

So the -- I guess that's what I'm referring to, that number. So are those -- that number belong to UTC or does that belong to all businesses in Connecticut?

Through you.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Again I don't know that the number has been published but I have -- it has been represented that UTC has upwards of 800 million, maybe more than $1 billion in unclaimed credits.

Through you.

THE CHAIR:

Senator Kane.

SENATOR KANE:

And thank you, Madam President.

And I'm not so much interested in the number. I'm trying to understand the process meaning are these tax

credits something that belongs to UTC alone or it is something that other companies can take advantage of? That's -- I guess that's what I'm getting at.

Whether the -- you know this is Commissioner Smith's number but even if the -- whatever the number is, I guess that's what I'm trying to understand. When -- when you say that these are tax credits that have been accrued, if you will, by UTC, are -- I guess the point I'm trying to make is are other companies eligible for this same type of offering?

Through you.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, yes.

SENATOR KANE:

Thank you. That's -- that's what I was getting at. So any company can take advantage of of these R&D credits. Okay, good, that's -- that's what I wanted to know.

So then if that's the case, why did we narrow the bill to where only UTC can qualify?

Through you.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, for the reasons I stated earlier that we have a company that has a reach and a -- a role in this state that, from the private sector perspective, is unmatched in my opinion in terms of the number of people it employs, the type of work it does. A leader globally in the aerospace industry that is -- has made Connecticut a leader globally and

in this country.

For a small state like Connecticut to be third -- the third leading aerospace company in the United States is quite a distinction and it's because primarily of UTC that we can say that. And this company has made years and years worth of investments in research, incentivized to a degree by our policies of encouraging that to be done in Connecticut.

Remember these companies have the ability to make decisions of where they're going to do this research in other states and other parts of the world and here's the reality. For engineers at Pratt & Whitney, as an example, when they work on the design of something and then they see it move to production, the interaction between the engineer and the machinist, was testified to in our committee, is an amazing -- the impact of that, the effect of that, is significant and how both sides learn from each other.

To have the engineer being able to go right out onto the line and interact with that machinist and vice versa not only is beneficial to the company, it makes them more competitive. It -- it demonstrates the value of having, whenever you can, as you best you can, whenever it is competitive, to have those two entities working together. Not where the engineer is in Connecticut and the line is in Florida or South Carolina or Singapore.

That happens. That's a reality and the -- the company has to communicate with -- in those distance learning. But when you have it right here in Middletown or in East Hartford where they can walk outside of the building and go to the line, the value of that, the working on a particular problem with an engine, is inestimable in my opinion and theirs.

And so that's just another reason why this particular investment -- again as I've said the company has made these investments over many years and has accumulated them. They will recover them. What this does is it accelerates that recovery in return for them making this investment in Connecticut for the future of the company, for the future of our state, for the future of -- of building upon what is already a great success

story of having Connecticut being a leader, nationally and globally, in the aerospace industry.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

You know I -- I agree. I mean I'm not questioning UTC. In fact I too believe they're an amazing company and I think they are a leader in aerospace and -- and one of the top Fortune 500 companies in our country and -- and do amazing things and -- and have fantastic employees.

I had an uncle who, before he passed away a year ago, was a -- a long-time employee at Pratt in East Hartford for years, 30/40 years I believe he worked there. So I'm -- I'm familiar with it and -- and I agree with you.

I guess my question was more so that if there's $1.4 billion in tax credits that are out there and are eligible for all companies, why did we narrow it just for UTC? I mean one of the arguments that's been made in this building about the First Five and the Second Five and probably the next five is that we pick winners and losers and I think that was the point that some of the Legislators were trying to make here today.

You know why can't GE, why can't Electric Boat? I mean these are equally as good companies with -- do equally great work. I think we could all name a company in our district that has been around a long time, that has been innovative, that has done incredible things for -- for our state and our country.

I guess that's where my question was more concerned with and -- and I'll leave that alone. I think that's more rhetorical than anything else but -- but I do believe there -- that's a legitimate question. I -- I do think that if $1.4 billion in tax credits have --

have been around, or out there in 2013, then heck everybody should get a piece of the pie if -- as it were.

I have a couple of more questions in regard to the actual work that will be done by these companies. Senator LeBeau mentioned earlier about production facilities but I see in the -- Commissioner Smith's proposal in this PowerPoint it really talks about the headquarters. It talks about 15 years after completion Pratt & Whitney headquarters, the UTC headquarters for 10 years and Sikorsky headquarters for five years.

We also know that Sikorsky laid off 600 workers while this negotiation was going on. Is it just for maintaining the headquarters of these operations or is there actual production facilities that are going to be included in this? And I know engineers are mentioned in here but what about the hands-on guys, the -- the Monday through Friday, 9 to 5, lunch pail crew? Are we helping maintain those type of jobs as well?

Through you, Madam President.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, I -- I know Senator Kane is not implying in his comment that engineers are not frontline people, that they're not valuable because without them we -- we don't see the advances in existing production that goes on and will go on for years of existing engines that have been in -- in service for years.

There's work going on continuously by engineers in making those engines more lighter, cleaner, burn hotter and all the other things that make your head hurt that these folks do every day. That -- but what really is the result of that, and is a living example of it right now, that -- that in Middletown, Connecticut an additional line, for the workers you

just referred to, has been built as a result of the research that has come over the last 20 years in the Geared Turbofan.

That has generated the new line for workers where the -- part of the production of the Turbofan will be done right here in Connecticut. That's the link that we're betting on. There will be future innovation and resulting, we hope, and because of the relationship that we have here in Connecticut where those engineers can be in direct relationship with the frontline workers, that some of that will be done. Will of it be done here in Connecticut? No that's unrealistic but I'll take my chances on Connecticut.

I'll take my chances on the workers here in Connecticut that are with Pratt & Whitney right now or at Sikorsky and their -- their productivity. I'll take my chances on this investment will result in future innovation resulting in more work on the line just like the Turbofan, which isn't even in production yet, is resulted in a line being built so that we can build that jet engine right here in Connecticut.

Through you, Madam President.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

No, Senator Fonfara, make no mistake, I -- I value each and every employee of UTC as well as every company whether it be the person who answers the phone or the engineer or the, you know, the guy with the wrench. I -- I think everyone is -- is valued.

I -- I -- when Senator LeBeau mentioned production facilities that's where my question came from as opposed to just simply the headquarters. But I, of course, would -- I do value each and every member of -- of the organization.

In -- in keeping in line with that, there are some job

numbers, job figures, in the legislation that I'm curious about and -- and what I mean by that is there's a Hartford Courant article dated March 6th, which Senator McKinney reminded me was his birthday, that says that UTC had 26,400 employees. Is that number incorrect, this Hartford Courant article, or is that the entire conglomerate? Is that through all -- throughout overseas? Is that -- I -- I -- I'm just trying to understand that because in the materials again that I refer to talk about 14,100 employees. So I'm curious what the real number is.

Through you, Madam President.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, I'm not certain what that number that the gentleman referred to is. I -- I do know that the approximate number of Connecticut employees is somewhere in the $14,000 range -- 14,000 worker range.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Oh we're talking about a lot of numbers so it's -- it's understandable to -- to mention dollars in here as well. So -- so we believe that it's about 14,000. The metrics I guess, the measures of performance over five years that you spoke about earlier and -- and meeting the terms of this agreement and maintaining staffing levels, I have the -- you know the amendment here which talks about the weighting factor and if you could just explain to me in lines T18 through 34 how these numbers work because I'm trying to understand these percentages that they are allowed versus the number of employees that they're supposed to maintain.

Through you, Madam President.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Thank you, Madam President.

T -- if the gentleman -- if I could repeat it was T1 through 34? Is that what he referred to?

THE CHAIR:

Senator Kane.

SENATOR KANE:

No, no, thank you, Madam President. I see that T1 through 17 were the engineers that we spoke of earlier.

SENATOR FONFARA:

Yes.

SENATOR KANE:

I'm referring to 18 through 34, the -- I guess it's overall staffing levels.

Through you, Madam President.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

That is correct.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Um what I'm asking is if you could explain to me the

correlation between for example on line T21, or even line T20 or any subsequent line, for example, below 12,450, zero percent. What does that mean? What -- how -- how does -- I don't understand that.

Through you.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, there are four factors that are -- will be used to determine what the reimbursement will be for the company and there will be a annual assessment of that based on each of these and where the company certifies its employment -- overall employment levels, its engineering employment levels, its research and capital expenditure levels as well as its payroll levels and those increments refer to where that certification lands and a corresponding weighting factor that will be used in determining the overall four factors as to what the level of reimbursement will be.

Through you, Madam President.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

The -- I'm looking at a -- something right off the Governor's website which explains the tax offsets and I think in here it mentions a similar scale then it says 14,100, years one to five, 90 percent, yet in the bill it says 14,100, 27 percent. What's -- explain to me that discrepancy if you may.

Through you, Madam President.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, that is referred to that particular individual category of what could be reimbursed for. There are four categories all together, four factors, and each one will be weighted individually for that -- whatever -- wherever in that list of -- of overall using that same T18 through 34 wherever the certified level of total employment is that will have the corresponding weighting factor which will be used in the overall determination.

I'm not certain about what is on the Governor's website but this is what will be used and --

SENATOR KANE:

Okay.

SENATOR FONFARA:

-- and ultimately will have to be certified by the Commissioner as to what the current level is because the current level, Senator Kane, once that's certified by the company and agreed to by the Commissioner, will establish the baseline and from there everything else will flow based on -- over the next five years of the level of investment.

Through you.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

And -- and one more question, if I may. Is there any incentive to increase the number? If -- if we agree that the number is 14,100 and the bill, up 'til line 34, only goes to 14,400, where's the incentive to grow or is it just to maintain? As -- as Senator Frantz mentioned earlier are we just playing

defense?

Through you.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, there is an incentive to grow and that is again, we believe, based on where the company has represented where the individual baselines are now and where we certified and it will be readjusted based on that so that the baseline is always -- will start below the high end.

So there is -- using the same chart that you were referring to, if the baseline is ultimately determined to be 14,100, that -- the incentive to grow is if they were to increase employment by 300, they would be able to max out in that particular category and if they maintain that over the five years, they would be able to get -- receive 100 -- and -- and they did the full amount of investment, because that's the other component, they have to do the full amount of investment, they'd be able to received the full 30 percent from that particular category and so on and so on for the individual other three categories.

Through you.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

I -- I thank Senator Fonfara for answering my questions. You know, Madam President, I'm -- I'm still torn on this bill. I don't know which way I'm going to vote even still. I'll probably be the one -- the last one to put his checkmark up on the board.

I'm a small business owner. I've said it many times

and, as you know, we celebrated 20 years in business and each year gets more and more difficult in the State of Connecticut and I think about all the business owners that come to the State Capitol on a daily basis, whether they testify in front of the Appropriations Committee, the Commerce Committee, the Labor Committee.

Think about all those businesses that come here every day and say it is so hard for me to maintain here in Connecticut. It is so difficult to keep jobs going in the State of Connecticut. It is so hard with the licenses, the fees.

For example I have a -- a TV radio repair license. I don't even repair radios and for many years it was $100. Now it's $200. It literally doubled for no reason just because we needed more revenue in the State of Connecticut. The business entity tax, the minimum wage.

I had a constituent as I've talked about, Lake Quassapaug Amusement Park in Middlebury, Connecticut, who has seasonal employees, hires teenagers and college age kids and they've been in business over 100 years and he said -- came to the -- to the Labor Committee and said if we raise this minimum wage bill right now it's going to cost me well over $100,000. I don't think I can make it. I don't know if I can take that kind of a hit.

Well what do we do? We just say well thank you for coming, we appreciate it and see you later. Paid sick leave, we've mandated that. I mean you could go on and on and on, $1.8 billion in new taxes in -- in the initial budget by this Governor and this Legislature a couple of years ago, the largest tax increase in our state's history.

Yet we don't listen to all the many businesses that come up here every day. So I am torn because I do believe in UTC. I do believe in -- in the -- the agents, the companies that they have along with them and Senator Kelly mentioned Sikorsky in his district and Senator LeBeau mentioned Pratt & Whitney in his district and I believe in them and I think they're wonderful companies and they do amazing things and I'm

the first guy to stand up for entrepreneurs and I'm the first person to stand up for businesses.

But at the same time I struggle because we continue to pick winners and losers. We -- if you're the big guy and you come in and say I need this in order to stay in Connecticut, we throw everything at you. But when the little guy comes up, we say nah thanks for coming but we're going to do this anyway.

In fact we're going to add more. We're going to put more burdens on. We're going to do more regulations. We're going to add more taxes. We're going to add more costs, healthcare, utilities, you name it.

So I truly am torn on this bill, I really am, and it really bothers me that we have to narrow this bill for one company whereas we should be doing it for every company. If you want job growth, if you want to maintain a stable tax base in the State of Connecticut, create an atmosphere that is conducive for business and you will see more taxpayers rather than more taxes.

You will see growth in our economy. You will see more people -- more companies say -- will not say anywhere but Connecticut, they will say come to Connecticut. Let's be in Connecticut. We have everything else going for us, let's create an atmosphere that's conducive for job growth.

Thank you, Madam President.

THE CHAIR:

Thank you.

Will you remark? Senator Markley.

SENATOR MARKLEY:

Thank you very much, Madam President.

I can't resist leaping to my feet to try to bring some clarity to my friend Senator Kane since he practically throws down the gauntlet to ask me to persuade him how to vote on this bill.

Let me say that one thing I'm -- I'm convinced of is that we all want the same thing here in this Chamber and in this Legislature. That we all want to see job growth. We want to see economic vitality. We want to see people employed at wages that will support their families and send their kids to college and -- and make the state what we -- what we want it to be, the best it can be.

And it's simply a matter of how we believe we best can go about doing that and there and (inaudible) fundamental philosophical those differences. And another thing I'm increasingly convinced of is that -- I guess the longer I'm here, the more confident I am in the wisdom of sticking to the things that I believe in fundamentally. And it's funny that up here -- Senator Kane mentioned things that are, let's say, that are more honored in the (indiscernible) than the observance. We talk about -- we talk about wanting to help businesses, but we impose taxes and regulations on them nonetheless. We talk about wanting to help out our municipalities, but we impose mandates on them.

There are many things that we all seem to recognize what needs to be done, and yet we still don't do it. And one thing we talk about here incessantly is not picking winners and losers, and yet we pick them. And one of my colleagues, one of my favorite colleagues, said in discussing this bill, at one point, "It's corporate welfare, but it's the best kind of corporate welfare." Well, you've got to decide whether you believe in it or you don't believe in it. And I honestly don't believe in it.

I believe that what's good for one business is good for all the businesses in Connecticut. If we think that by expanding this tax credit to United Technologies it will help them add jobs, it will help them -- it will help their subcontractors, it will help the State's economy, then we should be doing the same thing, certainly, for Electric Boat. It employs 8,000 people, a company that has been here for many, many years, as well, a company that makes us a leader in another entire area of defense and transportation, and almost 4,000 other manufacturers in the state of Connecticut that could happily benefit from the kind of advantages that we are offering to United Technologies. If it's going to spur them and it's going to help the economy and, as some have indicated, it's going

result in higher revenues for us in the long run by doing so, why not expand it as broadly as possible.

You know, we talk about these unused tax credits as if they're some kind of capital that's sitting up there in a bank somewhere that we just need to unleash. We create as we destroy these tax credits solely by economic policy. They don't have any real existence. It's like -- it's like saying I went bowling, and I bowled a 220, so I've got 80 points credit somewhere floating around because I didn't get a 300, and what am I going to do with those 80 points.

They're not -- that's not the way this works. We're talking, specifically, about $400 million in advantage that we're going to give to UTC. If it were -- if that $400 million were coming -- didn't have to come from somewhere else, I'd love to give it to UTC. I'd love to give it to anybody. But we're going to have to make up that $400 million somewhere else. And that's going to be a burden on everyone else in the state of Connecticut. If we divide that up in a per capita basis, we're talking about $5 million from my hometown of Southington.

You know, we celebrate the jobs that we create. When Jackson Labs opens, there's going to be a big ribbon, and there's going to be an enormous pair of scissors, and there's going to be a great photo opportunity. And there's going to be a certain number of jobs created. What we are not going to see is the jobs that are destroyed by taking that money out of local economies to spend it on Jackson Labs. And what we're not going to see with this $400 million at UTC is what the effect of taking $5 million away from the residents of Southington has on the economy of Southington and all the things that they could buy back there that are instead, essentially, going to be spent to benefit United Technologies.

I want to see United Technologies succeed. I want to see everyone in this state succeed. I'll give you one -- I'll say one more thing about this by way of a thought experiment. We have some fabulously wealthy people in Connecticut who contribute mightily to our economy by employing people, by spending money in the state, by paying enormous amounts of property tax, and so on and so forth. These people are highly portable. They can pack up and go to Florida, as all too often they do. If we say we want hold on to these wealthy folks, we might make decisions about policy generally, inheritance tax policy, dividends

and interest, capital gains, whatever it is that's going to encourage these fortunate people to stay in the state.

But if I came before you and said I want to put a bill in to keep Donald Trump in Connecticut because Trump's thinking of leaving Connecticut, and I think we ought to give him a tax break to keep him here -- not anybody else, just Donald Trump, I would be an object of derision because it's a ridiculous idea on the face of it. But somehow we feel like -- entitled to do this with corporations, to pick winners and losers. What makes them a winner? I think what makes them a winner, above everything, is connections, the fact that they can get the attention of the government, that they find ways to have legislation proposed that will be to their benefit.

And I don't begrudge them the benefit they receive, but what pains me is the disadvantage that it puts the rest of the businesses in Connecticut at. If we want to improve the situation in Connecticut, we've got to make this a better place to do business for everybody, for everybody in the state. And for that reason, I will oppose this bill, and I will encourage my colleagues -- let's say I will encourage my colleagues who fundamentally agree with me philosophically to join me in a principle vote on this.

Thank you.

THE CHAIR:

Will you remark?

Senator Linares.

SENATOR LINARES:

Thank you Madam President.

Recently, I had a survey in my district. I sent the survey to my constituents asking to tell me what was on their minds, to ask them to talk to me, to offer some suggestions on how to improve the State of Connecticut for the next -- not just for the next 20 years, but for the next -- not just for the next two years, but for the next 20 years. And what they said was that they'd like to see economic growth, they'd like to see more jobs for them and for their children. And so I rise today to offer my support behind offering tax incentives for UTC, one of our state's and our world's best businesses, to stay here and grow here.

Just some interesting facts about UTC. It's ranked among Baron's list of the world's most respected companies. It's the 23rd largest U.S. manufacturer. It's named the number two most admired aerospace and defense company. And UTC was named among Thomson Reuters top 100 global innovators in the transportation and equipment industry. Also, something I really liked about UTC is its employee scholarship program. Nearly 36,000 degrees have been earned since 1996 because of UTC. That's more than 1.1 billion invested, since 1996, in their employee scholarship program.

So today we're offering tax incentives for them to stay here. I had the honor of -- honor and privilege of touring manufacturing firms in my district. These are smaller manufacturing firms. Many of them are in the aerospace industry. And they said to me what's important is we have to keep these big companies like UTC, like Sikorsky in Connecticut because they do business with them. And I think that, in this bill, we're offering not only UTC some support, but those businesses as well.

But I also think it's an appropriate time to talk about how we're going to improve the business climate in Connecticut, not just for UTC, but for all businesses. And the CBIA, Connecticut Business Industry Association, just recently launched a campaign called "CT20x12," which is to take Connecticut to the top as far as places to start and own a business, to make Connecticut one of the top 20 states to have a business. And this is not just the top -- one of the top 20 states or the best state in the country for UTC; this is one of the top 20 states for all businesses to start and grown here.

So how are we going to support entrepreneurs and small business owners, people that wake up every day, feel their spot working -- feel their spines sweat when times are rough and they're worried about paying for their employees, making payroll? How are we going to support them? And I'd like to mention some of the things -- suggestions that CBIA recommends because it's important that we offer solutions to this problem, not just complain about it.

We need to eliminate the cap on business credit, business tax credits and extend those credits to all types of businesses, including (indiscernible). We need to make Connecticut's tax policy, including the personal income tax and the state tax more competitive, consistent, and

predictable to ensure fairness, effectiveness, and economic growth. And Connecticut should adopt sales tax policies that recognize the increasing impact of advanced manufacturing and importance of investing in Connecticut's workforce.

It should eliminate the sales tax on business-to-business analysis, management, and consulting services. For 2014, they recommend to accelerate the phase-out of the corporate sur -- tax surcharge to expand the use of tax credits, as we're doing here, to make the appropriate methodologies for limited liability companies consistent with corporations and to begin to clarify the manufacturing sales tax exemptions to reflect modern manufacturing techniques.

One of the things that -- one of the suggestions that a business owner told me, he said, you know, it's hard for me to leave the United States, but it's easy for me to leave Connecticut. We have to do what we can to keep them here and take Connecticut to the top as far as the best places -- one of the best states in the country to start and grow a business.

So today, Madam President, I rise in support of this bill which offers incentives to keep UTC here, and I think that we should offer these incentives for all types of businesses in the state of Connecticut.

Thank you.

THE CHAIR:

Thank you.

Will you remark? Will you remark?

Senator Fonfara for the second time.

SENATOR FONFARA:

Thank you, Madam President.

I just want to, for the sake of clarification with respect to what Connecticut is doing here, again, these are credits have been earned. This is not a tax break. These are credits that have been earned already. It's an acceleration of that process in return for a major investment, not just in physical infrastructure, but in people. But let's compare that when we talk about creating an atmosphere -- that's been mentioned many times here, and

I think despite the rhetoric that goes on in this Chamber and the Chamber down below, we all work together. We all are on the same page in terms of wanting, whether you're a Democrat or a Republican, whether you're a senator or representative, we all want the best economic climate for Connecticut.

Let's take a look at what reality is in terms of what Senator Meyer mentioned earlier in the competition that we're in with respect to other states, states that are considered to have, by various business organizations that have some of the leading business climates nationally and what's happened there: Washington State, the sixth best alleged business climate in the state doing an 8.7 billion, with a "b," dollar deal to keep Boeing in its state until 2040, $8.7 billion, that's following one that they did several years ago, I believe in 2003, of another $4.4 billion that was shared with the states of Alabama and South Carolina, two other states that are often touted as having great business climates; Oregon, twelfth in the country, doing deals with Nike for $2.2 billion, deals with Google for $614 million; the great State of Texas, that's touted regularly as having a great business climate, doing deals with Nebraska Furniture Mart for $800 million or with Toyota in Kentucky and Mississippi for $780 million; Florida, another state that's often mentioned, doing a deal for $545 million.

So this is our reality in the world today. By the way, those deals were all giving up tax revenues to entice and lure businesses to either stay or to come to their state. This is one with a company that has had a credibly long history going back to the 1800s and, as an aircraft company for many, many years in this state, employing thousands of people, still here is this state located all across Connecticut, having already earned these credits. That's investments in research that they did here. They didn't do that in South Carolina. They didn't do the research in Florida. They didn't do the research in Singapore or Canada. They did the research right here in Connecticut.

And they're saying we are now recommitting to the State of Connecticut again. And somehow it's a sweetheart deal or we're singling them out. We ought to be proud. What's the saying that -- "Don't let the perfect be the enemy of the good." Well, that's what we're saying here today because we can't rise -- raise all boats, that no boats should raise, not even the one that happens to be the biggest

fish, the one that employs the most people in the private sector of our state, not only the one that will be a feeder for the University of Connecticut and Yale and other institutions with hundreds of engineers every year -- they've been doing so for five years, 600 engineers every year, and they will continue to do so for years to come. That's just on retirement and attrition, not to mention growth.

This is our reality. We like to throw around terms, but there are people behind that, people who own homes, people who raise families, people who are putting kids into college and paying taxes. And they come from all over the world to work right here just a few miles across the river and in Windsor Locks and in Stratford, Connecticut, and not to mention the myriad of suppliers that they feed. And those suppliers help UTC be the company it is and help Pratt Whitney be the company it is. You know, it reminds me of when -- how many times when something -- the "For Sale" sign goes up or the moving van backs up to the loading dock, and we say why didn't we do something? Why didn't we step up? Well, this administration stepped up, and this Legislature is stepping up and saying, You know what, Mr. Chenevert and to all those people watching who work for this company, we're proud to have you in our state. We want you to stay in our state. We want you to prosper in our state, and we want to be a partner with you in that.

Thank you, Madam President.

THE CHAIR:

Thank you.

Will you remark? Will you remark?

Senator McKinney.

SENATOR McKINNEY:

Thank you, Madam President. I wanted to make sure I avoided what happened the other day.

Madam President, there are and have been times in the last 15 years where I've listened to many of my colleagues, and I just want to -- I wanted to start where Senator Fonfara ended and say that, quite frankly, I think this perhaps might be one of your prouder moments and finer speeches that I've heard you give.

I hate that saying, "Don't let the perfect be the enemy of the good." I heard it my first month here as a legislator 16 years ago, and we keep hearing it. And the reason why I don't like it is because it expresses the frustration that all of us want to do everything we can to make things better, and the legislative process rarely, if ever, allows for that. And this is a process which, quite frankly, is not really a legislative process because it's a deal negotiated by the administration and given to us to approve up or down. And there is a lot to criticize about this deal, but there is much good as well.

And I guess we're -- what I wanted to talk about is what separates this from some of the other financial incentives that the State has done over the years, many years, not just under the term of this Governor. We're not writing a check like has been proposed for Bridgewater, the world's largest hedge fund, or ESPN or CIGNA or UBS. At the same time, we're not cutting taxes for all to give a level playing field, which I think would provide that incentive for people to invest and grow jobs in the state of Connecticut. But we are, I think as you said, allowing people to use credits that they've earned.

And I think what's important and what is one of the reasons why I fall where I'm going to fall is that these are credits that they will one day use, and this is accelerating that process in return for a commitment and an investment, a commitment, I think, that is not as strong as it could or should be, an investment that I think could be tweaked, but at the end of the day, an investment, nonetheless, on something that they would otherwise use at some point. And quite frankly, credits that they have earned that they would use at some point in the future where they would look very different as a footprint in Connecticut than they are now, a much different world where UTC has shrunk its operations and is employing less people.

"Don't let the perfect be the enemy of the good" also means what about General Electric or Electric Boat or Pfizer or other companies that may have earned credits or will want to make research and development investments to earn credits in the future when we know this is specifically for one company? The good -- and the reality being that this company, in many ways, is different than all others, and I don't just say that because of what they meant historically. I don't just say that because of the

footprint of employees that they have, because quite frankly, they have less now than they've had historically.

I say that because there are somewhere between 1500 and 2,000 employers, subcontractors, who rely on UTC, who have no way, who have no way of controlling whether UTC goes to South Carolina or Georgia or Texas, yet their businesses and, more importantly, the jobs of those thousands of people that they employ are dependent upon them. And without UTC, we have hundreds, if not thousands, of middle-class, hard-working people, people at small manufacturing facilities, who lose their jobs in the state of Connecticut. So, at the end of the day, when I talk about "Don't let the perfect be the enemy of the good," I don't look at UTC. I look at that man or woman working at that small manufacturing plant, looking at that subcontractor and saying how can I not want to keep your job in the state of Connecticut, especially given what you have been through in the economic recession starting in 2008.

I do have to say, though, I hear Senator Meyer talk about the global competition. And we are, we've been in global competition for a long time. It's not just New York and Massachusetts. It's not just the 49 other states. It's the world. But when he talks about the competition specifically with New York, I do have to say, though, that New York is capable of offering those incentives because, unlike Connecticut, New York didn't go down the road of imposing the largest tax increase in state history. New York managed their fiscal crisis differently than we did. Quite frankly, with billion dollar surpluses in New York, the evidence is that their management of the fiscal crisis has turned out, at least up until this point, to be superior to ours.

And I guess that's part of the frustration that you've heard from others. I listened to Senator Guglielmo and Senator Welch and Senator Kelly, and I didn't disagree with anything that they said. We have significant problems in this state. At the end of the day, whether it's getting corporations money, which we shouldn't do, lowering their taxes, which I think we should do, or allowing them to use credits that they've always earned, the reason we engage in that is because, fundamentally, Connecticut is more expensive to do business than it is in other states. And with multibillion dollar corporations who look at the bottom line, moving to a South Carolina or Georgia often makes sense.

Now, it is true that we have a better workforce than they do in South Carolina and Georgia. There's no question about that. Quite frankly, if we didn't, these companies would have left a long time ago. And that's another reason why I fall down on the yes side is because of those workers and those employers who are the single greatest strength of the state of Connecticut.

But we have to have that honest conversation. This isn't the first time. In 1992 and 1993, this Legislature did something similar for UTC. I don't think we can say to the taxpayers and the people of Connecticut that once every 20 years we're going to reach into your pocket, and you're going to subsidize the operations of multibillion dollar corporations. We need to fix the foundation. We need to understand why they want to move other places and solve the problem so they don't. They started here. They came here. They moved here; they expanded here decades ago. I would argue that they did that because we had a tax and regulatory scheme significantly less onerous than the one we have now and that if we want to solve this problem so we're not doing this every ten or 20 years, we fix those problems.

I also think we have to understand the conversation that there's not enough money in the state of Connecticut to continue down the road. Senator Fonfara also said, "This is our reality," and he's right. But we need to change the reality. I don't accept that we always have to be a high tax state. I don't accept that this is who we are, and we need to continue down this road and be defensive. I believe there is a Connecticut in the future where we don't have to look at those types of financial incentives that other states are doing to keep our companies here. That's where we all need to achieve. I think we want to. I don't think we have universal agreement on how to get there.

There's frustration on my part over the fact that this deal was being negotiated -- I don't know for how long, but was clearly under negotiations; before and during those negotiations, Sikorsky lays off 600 people, and we don't get those jobs back. I'm frustrated over the fact that part of the Sikorsky part this deal is that they're going to make investments in research and developments so they, Sikorsky, can be prepared to bid on the contract of the helicopter of the future, both the next line of presidential helicopters and Department of Defense helicopters. Now, they're probably going to do that

anyways, so better they make those research and development investments here in Connecticut.

But I'm frustrated over the fact that, if they get awarded those contracts, that there's no guarantee that Sikorsky is at full employment after five years because those contracts will go well beyond five years. There's no guarantee that it's done in Sikorsky in Connecticut versus someplace else. If the taxpayers of Connecticut are going to help them to bid for those contracts of the future, and they get those contracts, the taxpayers ought to be paid back, and the workers at Sikorsky ought to be guaranteed their jobs long beyond five years. But I can't change that because it's not my deal. I'm frustrated by the fact that Pratt & Whitney can lay off jobs and still get the accelerated tax credits that they've always earned. But I can't do anything about that either.

Madam President, let me close because so many others have said things that I wanted to say, and I don't want to repeat. Let me close by saying that I'm going to vote yes because there are thousands of hard-working people across the state of Connecticut whose jobs are at risk. That is reality, and we need to save their jobs and keep them employed. But we cannot continue down the road we're doing. We have to fix the foundation of the State of Connecticut. We have to ensure that the future of Connecticut is one that UTC says, We don't want to move to South Carolina; we don't want to move to Georgia. In fact, the plants we have down there are going to close, and we're coming back to Connecticut because that's the better place to do business. That's where they're better workers, harder working, more productive people.

This doesn't solve that. I understand that because, quite frankly, we can't solve all our problems with one vote. But we can't leave here today and pat ourselves on the back and say we're done because the real hard work is still left to be done.

Thank you.

THE CHAIR:

Thank you, Senator.

Will you remark?

Senator Williams.

SENATOR WILLIAMS:

Thank you, Madam President. Good afternoon.

THE CHAIR:

Good afternoon.

SENATOR WILLIAMS:

I rise to support this legislation and to thank Senator Fonfara for bringing this forward, explaining it so thoroughly, also thank him for his independent research and taking a visit to the campus of UTC and informing us about that as well today.

And, Madam President, I want to thank you and Governor Malloy for your hard work on this project, for reaching out to one of the major employers in the State of Connecticut. That hadn't been done in years. It was critical that you did that. So thank you, Madam President, thank you, Governor Malloy, for taking that incredibly important and positive step.

Let's review what we're voting on here today. We're allowing UTC to get credit for $400 million worth of research and development tax credits that they earned, to get credit for those over a period of 14 years, not all at once -- to be able to cash in the research and development credits they earned over a period of 14 years. And what are they promising in return? To invest $500 million directly into aerospace here in Connecticut, 500 million. Remember the credits that they're cashing in are 400 million, and they're getting credit for that over a period of 14 years. Over the next five years, they're investing $500 million in aerospace in Connecticut, and they estimate that over that same time period they will be investing up to $4 billion in additional research and in other capital expenditures in the state of Connecticut.

Congratulations, Madam President. That sounds like a terrific deal that you and Governor Malloy have worked out on behalf of the working men and women of the state of Connecticut and our economy. Thank you.

There's been a premise floated in the circle today that other states don't do this; Connecticut stands alone. Why do we have to have programs that allow corporations to accrue research and development tax credits, and then when they accrue them, why should we let them cash it in? Why

can't we be like all those other states, especially states that supposedly are better for business and supposedly have better climates for business because they don't do that? Or do they, Madam President?

Actually, there's been a study of all 50 states that engage in so-called "mega deals" providing 75 million, or more, to companies. And Connecticut is not first; we're not second. We're 23rd on that list. And, Madam President, the states that are way ahead of us in terms of investing in their corporations includes states you might guess like Pennsylvania and New York and New Jersey and Oregon and Washington, but what about these states that are all ahead of us in terms of what they invest in corporations. Tennessee, Louisiana, Alabama, Mississippi, Missouri, North Carolina, South Carolina, Kentucky, Florida, Georgia, New Mexico, Ohio, Indiana, Michigan, all of these states that I think a lot of folks would say, Oh, wait, those are the states that supposedly have this better climate for business than Connecticut; they're all investing or, you might want to say, spending millions and, in some cases, billions of dollars more than the State of Connecticut on those corporations to have them either stay or expand or locate in their states. So the premise that other states are not engaged with their companies and corporations is false.

There's another idea that well, I guess we have to do this because Connecticut is just such a terrible place. It's horrible here in Connecticut. I guess this is the only way that we can survive. But, Madam President, there are some important facts that don't get stressed often enough, and in honor of David Letterman leaving the late-night format and his famous top ten list, I will give an abbreviated top ten list as to the state of Connecticut.

Madam President, of the 50 states, we're number ten in exports.

We're number eight in patents.

We're number six in the number of scientists and engineers.

We're number four in productivity. Senator McKinney is right. We have tremendous workers here in this state, and the average Connecticut worker produces more -- is more productive by 33 percent compared to the average American worker. And those states that I just read that are supposedly so much better for business, they are below the

national average in terms of productivity. That is a tremendous return for employers here in the state of Connecticut.

We're number three in the number of people with advanced degrees.

We're number two in the insurance and financial services sector.

And, Madam President, the State of Connecticut is number one in business research and development, and we are number one in quality of life.

We don't say that often enough about the state of Connecticut and what our resources and assets are, but I want to stress that here today. UTC is a major worldwide corporation. It makes its home in the state of Connecticut. It employs more than 14,000 people, 4900 of those are engineers. Because, Madam President, of your work and the work of Governor Malloy in reaching out to this worldwide corporation, Connecticut will continue to be their home. They will continue to invest hundreds of millions, perhaps billions of dollars here in the state of Connecticut in the next five years.

And this goes beyond UTC because, Madam President, I support this for all of the reasons that I just spoke of, but as others have mentioned, this is not just about UTC. This is about the small and medium size companies, companies like Whitcraft in Northeastern Connecticut that employ about 250 folks, Precision Manufacturing Corporation that's been doing tremendous work in aerospace working as a partner with Pratt & Whitney, UTC for years, and all of the other hundreds of machine shops and precision manufacturing companies here in Connecticut that employ thousands and thousands of our men and women in high-skilled good-paying jobs. This is about those companies and those workers as well.

So, Madam President, thank you. Thanks to you and Governor Malloy and your foresight, we're moving forward in a way that we have not with previous executive branches before. For those reasons, I strongly support this legislation.

Thank you.

THE CHAIR:

Thank you, Senator.

Will you remark? Will you remark? If not, Mr. Burke, will please call for a roll call vote. The machine will be open.

THE CLERK:

Immediate roll call has been ordered in the Senate.

Immediate roll call has been ordered in the Senate.

THE CHAIR:

If all members have voted -- all members have voted, the machine will be closed. Mr. Clerk, will you please call the tally.

THE CLERK:

On House Bill No. 5465:

Total number voting	36
Necessary for adoption	19
Those voting Yea	34
Those voting Nay	2
Those absent and not voting	0

THE CHAIR:

The bill passes.

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. Madam President, I believe the Clerk is now in possession of Senate Agenda Number 2.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Is in possession of Senate Agenda Number 2, dated Thursday, April 24, 2014. It's been copied and is on Senators' desks.

THE CHAIR:

Senator Looney.

SENATOR LOONEY:

JOINT
STANDING
COMMITTEE
HEARINGS

FINANCE
REVENUE
AND BONDING
1 – 523

2014
INDEX

March 10, 2014
10:00 A.M.

COMMERCE COMMITTEE
FINANCE, REVENUE AND BONDING COMMITTEE

CHAIRMEN: Senator Fonfara
Representative Widlitz
Senator LeBeau
Representative Perone

MEMBERS PRESENT:
SENATORS: Ayala, Cassano, Frantz, Leone, Musto, Witkos

REPRESENTATIVES: Albis, Aman, Becker, Berger, Boukus, Butler, Davis, Fawcett, Floren, Frey, Gentile, Haddad Hennessy, Larson, Lavielle, Lemar, Lopes, Cafero, Luxenberg, Morin, Piscopo, Rebimbas, Reed, Rojas, Santiago, Sawyer, Shaban, Simanski, Steinberg, Vicino, Walko, Williams, C. Wright, E. Wright, Zoni, Zupkus

REP. PERONE: Good morning everyone. Welcome back; daylight savings time and all that.

It's good to see everybody here. Welcome to the Public Hearing. So with no further ado, I actually would like to call up our first person to testify. That would be Lori Pelletier, followed by Jeremy Zeedyk.

LORI PELLETIER: Representative, thank you.

For the record, I'm Lori Pelletier and I serve as the Chief Executive Officer of the Connecticut AFL-CIO, and I'm here to offer our support to the Raised Bill before you today. HB5465

If I step back in time in 1993 when all of us were much younger and had much less grey hair, I was employed at Pratt & Whitney and went through then their call to the State to provide them with $35 million to stay here.

And one of the problems with that agreement is that what is behind the scenes those of us -- the machinists (inaudible) didn't know anything about it. There were no hard-line low numbers for bargaining in a position. And the $35 million that the State gave them in cash, they gave to the top five executive officers.

This agreement is a world of difference. We have the employment numbers that we're going to be working through. They're going to be building buildings with our safe building trades who are the most dependable, best educated, and with the most experience to put those buildings up.

The tie in with UCONN is phenomenal because just last year you all passed the Next General Bill, which enabled UCONN to invest more in engineering. And won't that be a terrific pipeline right to United Technologies?

Again, we're offering whatever support we can. And jokingly I said Bonnie Stewart from CBIA and I, I think this is the first time in probably the decade that the two of us are on the same side of any bill.

You know, every once in a blue moon things do happen and line up this way, but this clearly is a different deal and we applaud not only the Governor's leadership in this, but his

administration as well as the leaders of this Chamber -- these Chambers in this.

This is important to Connecticut. It's important to the future, and the only thing that we need to tidy up is to make sure that these also consist of bargaining unit positions because it's wonderful to bring in engineers, but we want to keep the incredible trade and technology that we have within the bargaining units here as well.

So again, thank you for the opportunity to testify. I don't know that I've ever gone first before, so this is a whole new world. And again, between that and being with Bonnie on the same thing, it's made my entire week; I've got to tell you that. So if we have any questions that I could be able to answer, I'd be delighted to do that.

REP. PERONE: This is a bevy of firsts. Thank you very much for your testimony.

First of all, I'd like to open it up. Are there any questions? Okay, no questions.

So if my understanding is correct then, that you feel that through the whole process here that the communication was very good, the understanding of the deal was good? That was all -- everything was above board; is how I understand it?

LORI PELLETIER: Yeah, I mean in 1993 when as part of the bargaining unit, we knew very little. We just knew that we had to take a four-year pay-freeze and we knew that UTC got -- or Pratt got $35 million; that's what we knew, and that we were told that there was supposed

to be a floor where the numbers the bargaining unit members were supposed to not go below.

At the time we had over 10,000 members. Today we're down below 2,500. So clearly if there was a floor it wasn't a very good one, which is why I'm saying in this agreement that's the one area we need to look at is to say, what is the commitment to the bargaining units in this state, and to keep to that.

REP. PERONE: Okay. Thank you very much.

Representative Larson.

REP. LARSON: Thanks, Lori. I appreciate you coming. It's very nice to see you here.

In prior testimony Peter Gutermann was indicating that they are now building 300 engines on an annual basis and they're looking to go to 1000. Is that -- that's your members' work, right; that new 700 engine increase? That would obviously be benefiting your workers?

LORI PELLETIER: Well, I mean it'll benefit the assembly and tests which is, you know, it will benefit them to some extent. But it's not like it was years ago where Pratt Whitney Machines A to Z in the engine. A lot of the engine components come in and they're what they call snap-together, if you will. And then the final assembly is done in Middletown and the test is also done in Middletown.

So those two pieces should see an increase, but at the same time in this collective bargaining agreement that was just negotiated they are getting rid of 124 materials people

that move the product around the floor. People are going to get laid off if they were hired in 1973 or later. People with 41 years of seniority are going to get laid off, so that's what we're concerned with.

We appreciate the parts. We appreciate the work coming in, but we need to just make sure there are some numbers. But, yes, Middletown should receive a bulk of the assembly and test piece of it.

REP. LARSON: I was having this conversation earlier with Representative Morin. And I have a brother-in-law that has worked for Pratt Whitney and Electric Bow. He's a welder, and he's been there for quite some time. He worked at Pratt and got laid off. He worked at EB, he got laid off. He went back to Pratt, got laid off. Went to -- got back to Pratt, worked for International Fuel Cells as a welder, and then they sold the company and now he's back working for that company. So in every other household in my town is you are either working for the State of Connecticut of working for Pratt & Whitney.

So we're very cognizant of the opportunity that this brings. But we want to make sure, as you state, that the guys that take showers at the end of the day, the guys that role up their sleeves every day to turn those wrenches to keep the eagle flying, as my brother would love to say, are well taken care off in this opportunity. And I'm glad to see that they are in fact making that commitment.

LORI PELLETIER: Again, Representative, and that's our piece, as well as, and if I can just add this. We're very fortunate in this state that

a hundred years ago Henry Ellis had the vision to have an avionic school. And so both in East Hartford -- Hartford-Brainard Airport and down in Stratford, part of our Bowtech system is an adult ed that deals with aviation maintenance.

But the problem is that, you know, this is expensive. You know, it's not like going out and buying any of the other products for the Bowtech system. It's very expensive to get aircraft parts.

So we hope that part of this too, that United Technologies will look at this -- these two schools and say, listen, we need to upgrade their equipment. They need different engine components. They need different electronics. Listen, they're putting out anywhere between 18 and 30 graduates a year, and they're going right to work in the industry. And these are good paying jobs. These are $60,000 a year jobs and it costs them six grand to go through the program. So that's another piece that we need to make sure is on the table.

REP. LARSON: Absolutely. Thank you.

Thank you, Mr. Chairman.

REP. PERONE: Thank you. A great way to finish up.

Any other questions?

LORI PELLETIER: Thank you again to the Committee. I appreciate it.

REP. PERONE: Thank you very much for your testimony. I appreciate it.

LORI PELLETIER: Thank you.

REP. PERONE: Up next is Jeremy Zeedyk, followed by Dirkson Charles.

JEREMY ZEEDYK: Good afternoon, members of Finance and Commerce Committee.

My name is Jeremy Zeedyk. I'm the Marketing Representative for the Sheet Metal Worker's Local 40. I'm here today to speak on behalf of the President of Connecticut State Building Trades, David Roche.

On behalf of the thousands of Building Trades' members in the state of Connecticut many of whom are sitting in the audience today, I stand in support of H.B. 5465.

This bill if passed will not only ensure that Pratt & Whitney keeps the highly skilled workers who build our military aircrafts engines in Connecticut, but will also give them an opportunity to employ new generations of workers that will follow in the footsteps of their parents and grandparents, who themselves have benefited from a long successful career as part of the United Technologies family.

This legislation creates endless opportunities including for small businesses throughout Connecticut that have been producing products for UTC. These companies will continue to grow and hire new generations of skilled workers.

The new and innovative technologies that our state universities and technical schools are training are students in ultimately lead to

family-sustaining middleclass jobs that keep them here in Connecticut post-graduation.

The facilities that will be built to house these workers will give the Building Trades' men and women of Connecticut an opportunity to get back on the job. Our members have seen some of the toughest economic times in trade's history. Just months ago some trades were grappling with unemployment rates as high as 50 percent. But because of this Legislature's investment in Jackson Labs and UCONN Towers at the medical center in Farmington, we have started to recover.

The opportunity to be a part of Pratt & Whitney's expansion, along with the University of Connecticut's Next Generation Project could finally stabilize the Building Trades and bring our unemployment numbers down to prerecession levels.

Further, this investment will give our returning veterans more opportunities to enter a construction career through our Helmets to Hardhats Program and give them direct entry into our training programs. I myself am a Helmets to Hardhats inductee.

I started my career as a Building Trade sheet metal worker in 1979; Dave Roche, not myself. After completing my apprenticeship program working for a company called Guarantee Service.

Guarantee Service had a contract to perform small repair projects throughout the State's United Technologies facilities. Now we may have an opportunity to pass down Guarantee Service's torch to other contracting companies

and to help more apprentices get on-the-job training that they need at an institution so intrinsically connected to this state. And we cannot forget how many of our skilled machinists this opportunity could benefit as well.

I applaud your Committees and the entire Legislature for having taken the necessary steps over the past couple of years to get the ball rolling on creating job opportunities through economic develop initiatives. And now we can continue to keep it moving by passing this important legislation for the State of Connecticut and its proud history that will continue with the United Technologies Corporation.

Thank you for your time.

REP. PERONE: Okay, thank you.

Any questions from the members of the Committee?

Hearing none, I think we're all set. Thank you very much for your testimony.

JEREMY ZEEDYK: Thank you.

REP. PERONE: Dirkson Charles, followed by Colin Cooper.

DIRKSON CHARLES: Good afternoon, honorable members of the Finance and Commerce Committee. My name is Dirkson Charles. I am the Founder and Chief Executive Officer of the Loar Group.

Last year we acquired a Connecticut company called AGC. At the time I never imagined we'd

be given the opportunity to be part of such an important event here today with regards to aerospace manufacturing in the State of Connecticut. But here I am and I'm very pleased to be testifying in support of the Connecticut Aerospace Reinvestment Act.

First, AGC, the company we bought nine months ago, has a long proud history in Connecticut. We have been producing precision aerospace components since the 1930s for customers like United Technologies, Pratt & Whitney, and Sikorsky. Our company is based in Meriden and has over 100 employees. Our aerospace components and assemblies are created in a wide range of materials including high-temperature alloys, metal fabrications, and rubber and composite parts.

AGC's niche products and manufacturing processes were just part of the reasons why it only took us seven days of diligence to determine that AGC had to be part of our group.

The most important reason was that in spite of the financial difficulties that AGC was in at the time of our acquisition, not one of our customers indicated that they did not view AGC as an essential part of the Connecticut-based aerospace supply chain.

As I said, my company, Loar Group, acquired AGC last year. Loar Group consists of a small group of executives, each averaging over 25 years of aerospace experience. We've made four acquisitions in our two-year history because we continue to be excited about the future of aerospace and, with that, being part of the Connecticut-based supply chain.

Another reason that AGC was such an attractive acquisition is that Connecticut has a rich talent pool of engineers and aerospace workers. We invested in Connecticut when we chose to buy a company here and we've continued to invest since that day. And the agreement announced today proves to us that we were right.

With the investments it is making, Connecticut is a true center of excellence for aerospace manufacturing. And the Connecticut Aerospace Reinvestment Act will not only help UTC continue to invest in its growing its engineering and research development base in the state, but will also help the hundreds of aerospace suppliers across Connecticut, just like my company.

It is these relationships with our customers like UTC and Pratt & Whitney that will ultimately guarantee our company's future growth and our home in Connecticut.

Again, I will say it, what is good for UTC is good for us. Pratt & Whitney is heading toward an exciting time in its history. As it ramps up production on its revolutionary PurePower engine and the F135 engine for the Joint Strike Fighter, and we are proud to be part of that partnership.

I'll say it again, that is why I'm happy to be here to support this legislation. UTC and Pratt & Whitney continue to make investments in Connecticut, which ensures that cutting-edge research and development work will be done here in our state. The ability to redeem the tax credits they have already earned to

make investments here in Connecticut will not only benefit UTC, but also all of its Connecticut-based suppliers.

I commend UTC. I commend Governor Malloy for crafting this agreement, which will make our state more competitive and create a home for the next generation of engineers and manufacturers. This can only strengthen Connecticut's standing as a center of excellence for aerospace manufacturing.

Thank you.

REP. PERONE: Thank you very much for your testimony. There are some really great points. I like how you tied everything together.

Any questions from the members of the Committee?

You did such a great job that nobody has questions.

DIRKSON CHARLES: Thank you.

REP. PERONE: Thank you very much.

Up next, Colin Cooper followed by Bonnie Stewart.

COLIN COOPER: Good afternoon. My name is Colin Cooper and I am the Chief Executive Officer of the Whitcraft Group, a Connecticut-based aerospace manufacturing company. Thank you for providing me the opportunity to give you our company's opinion on this historic agreement.

This not only a terrific agreement for UTC and the State, but also for many of the businesses here in Connecticut who are partners and suppliers of Pratt & Whitney, United Technologies Aerospace Systems, Sikorsky, and the other divisions of UTC.

I'd like to start today by telling you I'm a Connecticut person. I was born in Hartford. I grew up in New Britain. I live in Glastonbury and our company, the Whitcraft Group, is headquartered in Eastford, Connecticut with additional facilities in Plainville and Farmington.

Whitcraft and its subsidiaries, Connecticut Tool and Dell Manufacturing, produce complex sheet metal fabrications and precision machine parts primarily to the aerospace industry and we sell to customers across North America, Europe, and Asia.

We build parts and components for some of the world's most advanced aerospace systems, including Pratt & Whitney's F135 and PurePower engine families, Sikorsky's BlackHawk helicopters, and Hamilton & Son's Transair Management Systems on the Boeing 787 Dreamliner. Thanks in large part to our relationship with UTC, Whitcraft is able to employ hundreds of skilled Connecticut technicians and engineers.

Since its founding in Eastford in 1960, Whitcraft has been a Connecticut company. And although we compete with suppliers worldwide, including suppliers in low-cost regions such as Eastern Europe, Mexico, and Asia, we remain here in Connecticut because of the skills, knowledge, and ability of our

workforce, and the proximity to our major customers.

Approximately three-quarters of the content of most jet engines today is manufactured by companies like Whitcraft and the scores of other small aerospace companies that dot the Connecticut landscape. Every week we have UTC engineers in one of our facilities working with our engineers and technicians to develop critical parts for the Next Generation Programs.

UTC benefits by receiving our input on how to design for manufacturability and we benefit by developing experience on these parts before our competitors. The fact that Pratt and UTC are making such a substantial commitment to Connecticut, and they will be increasing their technical footprint here in the state going forward, is good news to local small businesses like Whitcraft.

This is an outstanding announcement and one we are happy to be a part of. I understand that there have been some long and spirited negotiations regarding this agreement, and I hope to see state leaders take up this bill and pass it. I believe this agreement will provide benefits for the state for years to come.

As Pratt & Whitney transforms the jet engine and leads the aerospace industry with its PurePower engine family and its position on the F-35 Joint Strike Fighter Program, these incentives will help ensure a large portion of this work is done right here in Connecticut.

Thank you.

REP. PERONE: Thank you very much for your testimony.

Does anybody have any questions?

Well, like I say, again thank you for continuing to do what you do. I know actually somebody who works in Whitcraft and they are fiercely proud of the work they do and I just wanted to thank you for everything you guys are doing.

COLIN COOPER: Thank you.

REP. PERONE: Yes, Senator LeBeau.

SENATOR LEBEAU: I find your testimony interesting and enlightening, particularly the remark about UTC having this kind of weekly meeting with UTC engineers and I had no idea that some of our supplier companies had that kind of -- I know that there is a lot of communication between companies and UTC or Pratt, but I didn't realize it was on such a regular basis so it's kind of a surprise.

And it's really interesting because you mentioned that you receive input on how to design -- UTC receives input on how to design for manufacturability. So I assume that means to make things operate more smoothly on your floor. Is that correct?

COLIN COOPER: Yes, they are always looking for an opportunity to take cost out of the product and we help them.

Sometimes the design engineers can be a bit esoteric in the way they approach things, so

we help them take a sort of more grounded approach on how to design in a way that can actually be manufacturing.

SENATOR LEBEAU: Yeah, those scientists. They're like that.

Well, thank you very much and thank you for being here today and testifying on this bill.

COLIN COOPER: Thank you very much.

REP. PERONE: Any other questions, no.

Thank you very much for your testimony.

COLIN COOPER: Thank you.

REP. PERONE: Bonnie Stewart, followed by Michael Polo.

BONNIE STEWART: Good afternoon. My name is Bonnie Stewart and I'm Vice President of Government Affairs for the Connecticut Business and Industry Association. I'm here today to urge your support for House Bill 5465, AN ACT CONCERNING THE CONNECTICUT AEROSPACE REINVESTMENT ACT.

This measure is extremely important to Connecticut and by allowing the redeployment of previous earned tax credits for capital investment we are actually securing Connecticut's aerospace future. And that's extremely important because the number of touches that this bill have is significant. It goes far beyond UTC directly and there are 75,000 jobs that they currently have.

It actually hits around 2,500 direct

suppliers, and hundreds and thousands of other jobs and businesses in Connecticut. So the touch is significant and as was pointed out earlier, it's throughout the state.

By encouraging the remaining or retaining of the research and development activities in the state as well, that also provides a lot of future opportunities for the state because if we have the R&D in Connecticut we're more likely to have the spinoffs that occur from that remain in Connecticut as well.

We really believe that this a forward-looking bill because a lot of times when we talk about tax credits in particularly R&D, you're talking about what are you going to do now; it's a long, long process in terms or research and development. So companies perform that activity. They earn that credit. But once they've earned with the cap and being able to access it or use it being limited to the income tax, they don't really think about it in the future once that R&D tax credit has been earned.

This actually allowing them to redeploy that tax credit has it remain in the strategic planning for companies, so it stays in front of the CEO's and the people making decisions about where to locate or relocate lines of services. So that's extremely important to Connecticut too. It has a significant impact on the economic opportunities here in Connecticut.

As was pointed out earlier, it also ties in with our Next Generation activities in the state. We're constantly talking about STEM and its importance not only to Connecticut,

but to the world, and therefore encouraging those students that are graduating, and encouraging more students to go into that line of work here in Connecticut and being able to retain them here in Connecticut is key to our youth and our future.

You're keeping the people that hopefully are going to be coming up with those new patents and those ideas right here in Connecticut, and that's extremely important as well.

Therefore, for all these positive economic impacts of this bill, we really feel that they're significant and urge your support.

REP. PERONE: Thank you very much. You raised an excellent point regarding STEM.

I mean it's one thing to focus on putting pressure on education to have more offerings, but to have entities that have activities that require that skill set to encourage our education institutions in the state to produce talent to that end is a big deal. It's very important.

I really don't have much more to add other than to say thank you.

Does anybody else have any questions?

Representative Larson.

REP. LARSON: Thank you.

Thank you, Bonnie for your testimony.

How active does the CBIA get involved with job retraining for manufacture workers and in

particularly for veterans? Do you guys have specific programs?

BONNIE STEWART: We do. We actually have an education foundation at CBIA that does a great deal not only with manufacturers so they're a key part of our operations, and clearly our education opportunities as well.

So CBIA actually gets involved in education from early childhood right through graduate school and a lot of it depends on what our members need at any given time. So for example, when we find that there's a shortage with machining skills, we'll actually work with our manufacturers and other educational organizations.

Lately we've been doing an awful lot of work with CREC, both in terms of manufacturing, as well as photovoltaic, the big issue in terms of green energy programs coming up. We work with the community colleges quite a bit, so we actually have a program going on right now to help people that don't have as many skills as they really need to enter the workforce in a manner where they can build a career.

So we're working with Manchester Community College, and our number of our manufacturers, as well as the State Social Services System to try to retrain or to give those people the skills.

So we've got a variety of programs out there based on what the needs are at any given time.

REP. LARSON: I have heard the massive Kumbaya this morning that you guys were all now playing together and it's the first time, which I'm

really excited about. I truly am because this is critical to the success of our state and to the people who work in our state. That's who we represent.

Do you have any specific programs that you are working with, for example the Machinists Union in East Hartford and say Goodwin College through CBIA?

BONNIE STEWART: I can --

REP. LARSON: I'm not trying to put you on the spot. I'm just trying to get to --

BONNIE STEWART: Right. I would love to say I know absolutely everything that goes on at our organization and I know overall the different things that we're involved in.

I can't tell you what specific programs beyond the one I just mentioned at Manchester Community College regarding manufacturing right now. I do know that we also are working with the tech school in Bristol. We work very closely with Asnuntuck and with Platt is another school to be replicated constantly.

Any particulars beyond that, I cannot identify now but I'm more than happy to get back to you on that.

REP. LARSON: Well, thank you very much.

Thank you, Mr. Chairman.

REP. PERONE: Thank you.

Are there any other questions?

Thank you very much.

BONNIE STEWART: Thank you.

REP. PERONE: Up next is Michael Polo, followed by Kristin Kopp-Vaughan.

MICHAEL POLO: Good afternoon, honorable Committee members. My name is Michael Polo, Founder of AdChem Manufacturing Technologies in Manchester.

I'm also a lifelong resident. I was born in East Hartford and went to school there. My grandfather, Sebastian M. Polo, was a representative right in this house back in the seventies.

My father and I started our small manufacturing company 28 years ago. I grew up in Connecticut manufacturing. My dad, Paul Polo, worked for Pratt & Whitney and had -- excuse me, and had a second job at a small Connecticut manufacturing company he eventually owned in 1978, and grew it from 50 employees to 545 until he sold it in 2004 and came on board with us.

Securing Pratt & Whitney and UTRC stay local is very important for us, along with Sikorsky. It's very important for us and the entire advanced manufacturing supply base for many reasons including but not limited to, that we work very closely with them -- all of the development work, including with them.

We address issues locally as they arise. We team up with other Connecticut manufacturers on product beyond our own capabilities. We advance our manufacturing shop floors with

state of the art simulation technologies, together with CCAT.

We use state of the art White Light inspection technologies also developed by CCAT. We have a very bright future with all the new growth engines and military engine platforms. We collaborate on quality issues and advancements, increase technologies together to improve all of our floors, collaborate with UCONN and the local universities and community college systems.

We work with CONN-STEP to advance manufacturing principles and capabilities. We also have the Aerospace Component Manufacturers Association, which is 83 Connecticut companies doing over $2 billion in sales with over 5,000 employees.

Being an OEM direct supplier, we secure the growth of our subcontract base and outside services partners such as heat treat, anodized plasma spray, etcetera. We work closely with Pratt & Whitney and Goodwin College on the curriculum to train the future advanced aerospace workforce. With Pratt, the Original Equipment Manufacturer, goes all of the supply base. So keeping them local is obviously very, very important.

So you see, we have in Connecticut all the pieces of the puzzle including CCAT, UCONN, CONN-STEP, Capital Workforce Partners, CBIA, ACM, Goodwin College, and our tech schools and colleges, which are critical for the growth and sustainment of the aerospace manufacturing to fulfill our vibrant future for Pratt & Whitney, UTC, and all of us included.

For these reasons I strongly support H.B. 5465, THE CONNECTICUT AEROSPACE REINVESTMENT ACT.

I also want to mention that last year I was out of the country 13 times internationally. And one of those trips we traveled to Toulouse, France and visited with Airbus, who said that Connecticut is their single largest state for spend in the whole United States.

So I thank you.

REP. PERONE: Thank you and vive la France.

Thank you for your testimony. I was wondering if anybody had any questions or comments. No.

Thank you again and it certainly helps us to hear your and other firms like yours role in how all this comes together, so I really do appreciate it.

Actually, Senator LeBeau does have a question for you.

SENATOR LEBEAU: Michael, thank you for coming today and thank you for (inaudible). You started from graduate and thank you for being here.

You work with CONN-STEP and CCAT on a variety of different programs. Could you kind of tell me what their role is with you?

MICHAEL POLO: Well, it's kind of interesting. We have such a great -- the State has built some really good foundational pieces of it, two of them that you've mentioned.

So CONN-STEP is more of the process guy, so they come in and help us with process, and where CCAT is more of the equipment and the technical expertise on the floor. And most states don't have the CCAT portion of theirs. They have plenty of the CONN-STEP portion, where they've got really good people that help us serve our process, but they don't have the equipment which is by far the most advanced equipment available in the industry.

SENATOR LEBEAU: How does that specifically help you?

MICHAEL POLO: Well, we can actually -- it's a great model because we actually utilize them to help us optimize our manufacturing processing on the shop floor and utilizing the equipment. And then we also can transfer that equipment.

Once the process is developed and optimized we can buy the equipment and put it on our floor, so we've actually developed the process with the equipment and we can move it to our floor and then they'll get the next best equipment as well.

SENATOR LEBEAU: And not only is that happening, but I would assume that leads to a ramp up in productivity, which means you can lower your costs and keep the jobs here?

MICHAEL POLO: Yes, and it's always pushing the envelope for what the next best technology is out there throughout the world.

SENATOR LEBEAU: So CCAT and CONN-STEP really perform wonderful functions for your company and many other companies in the state.

Thank you.

MICHAEL POLO: Definitely.

REP. PERONE: Okay. Thank you very much for your testimony.

Next is Kristin Kopp-Vaughan, followed by Tony Cacace.

KRISTIN KOPP-VAUGHAN: Bear with me. I am not a CEO or a president or leader of anything.

REP. PERONE: Okay.

KRISTIN KOPP-VAUGHAN: I'm a worker bee.

REP. PERONE: We'll make you one. We'll give you a title.

KRISTIN KOPP-VAUGHAN: All right.

Good morning. My name is Dr. Kristin Vaughan and I am a Combustion Engineer at Pratt & Whitney.

During my two years so far at Pratt & Whitney, I've focused mainly on advanced combustor R&D. I'm part of a group of engineers that is developing an engine that produces a large amount of electricity with extremely low emissions output.

I've also started applying these skills to flight engine technology to assure that the cleanest and most innovative, most dependable engines are coming from Pratt & Whitney in Connecticut.

To give you an idea of my background, I went to high school in Connecticut and I initially chose to leave the state for college because I believed that there were more opportunities for STEM employment elsewhere.

After some research though, I realize that not only did Connecticut have a healthy manufacturing base, but that we were also a stronghold in research and development in aerospace, which is what I really wanted to do.

So I transferred back in state and I earned my undergraduate degree in physics at Central Connecticut State University and I went on to achieve my PhD in mechanical engineering in combustion science at the University of Connecticut. Soon after I started my PhD program at UCONN I started to work with Pratt & Whitney.

As a student there is nothing like being able to talk, share, and learn from people in a company that is so close to you. You just learn more face to face than over the phone I think. And the ideas and innovations just flow more freely when you're all in a room together.

Before graduating I was offered a position at Pratt & Whitney alongside the combustion engineers that helped guide me through my time at UCONN. I was excited to work for Pratt & Whitney because of the relationships that I had formed. I really wanted to work with the people there and tackle the tough combustion challenges that lay before us together.

When I heard this announcement I was inspired.

The new facility will allow my colleagues and me to further expand on the complex R&D we already perform here.

The announcement demonstrates the values that the State of Connecticut and that UTC have in developing the next generation of engineers and the state of the art aerospace research.

We want to keep bringing the best people to the best companies. New investment in facilities tells my generation that we're here, we're current, and we're innovating. I'm proud to say that I work for a company that is investing in their engineering talent and fostering the next generation of aerospace inventers.

Should this decision be made, it would only reaffirm my choice to live and work in Connecticut.

Thank you.

REP. PERONE: Thank you very much. I think you really hit the nail on the head with regards to how much and what a concern it is for us in the Legislature to be losing talent like yourself to other states, to other countries. And at the rate technology goes, possibly to other planets. So I just wanted to thank you again.

But also in discussing your career choices with your peers and hearing their points of view, I mean do they look at the same way you do or is there like a -- what are their thoughts about sticking in Connecticut? Obviously this is a lot to sort of serve up, but I'm just wondering if there is any --

KRISTIN KOPP-VAUGHAN: Yeah, it's funny you understand mention that because I was there at daily lunchroom conversation. Are we moving? Are we not moving, you know? There's Florida, there's North Carolina, whatever.

People really want to stay in Connecticut. We have homes here. We have families here. We've got kids going to college, kids going to high school. You don't want to uproot your family like that and it's such a good environment in Connecticut.

In fact, some of the guys, funny, that came up from Florida said oh you don't want to move down there; you have no idea, we get so much more from Connecticut than you get down there. So nobody wants to move. Everybody wants to stay here.

REP. PERONE: Well, I'm sold.

Well, thank you very much.

Are there any further questions?

Yes, Representative Widlitz.

REP. WIDLITZ: Thank you very much.

Just a comment: First of all, I'm delighted to meet a woman combustion engineer at Pratt & Whitney.

KRISTIN KOPP-VAUGHAN: There are not a lot of us.

REP. WIDLITZ: Well, that was my next question. How are we doing with getting women into these fields?

KRISTIN KOPP-VAUGHAN: Engineering as a whole -- keep in mind I started in physics, it was actually particle physics. So engineering is fabulous compared to those numbers.

I would say in fields like combustion and in aerodynamics where it's a little bit more base science and a little bit less hands-on parts, I think we're still struggling.

But I think the numbers are really coming up in a lot of areas like design and areas where you can really get hands-on parts. I think it's easy to get the kids in high school excited about that and I think the initiatives that we have right now are really working there.

REP. WIDLITZ: Thank you. We need you to do an ad for Connecticut women.

But no, there is something in your testimony that really got my attention. You were saying before graduating you were offered a position at Pratt & Whitney with the combustion engineers that helped guide you through your time at UCONN.

That is such -- that is what we're trying to accomplish in this state, trying to pair students matriculating in a certain field with the people who are actually working in that field. And that's a very positive statement and I'm really happy that you brought that forward.

Thank you so much for your testimony.

KRISTIN KOPP-VAUGHAN: Thank you.

REP. PERONE: Thank you.

Senator Fonfara.

SENATOR FONFARA: Thank you very much.

Thank you for your testimony. I have to say that when you say in your testimony that when I heard the announcement that you were inspired, I think you have inspired us and we're really glad that you came here today.

KRISTIN KOPP-VAUGHAN: Thank you.

SENATOR FONFARA: Can you expand on when you say that you -- when you realized that Connecticut had a healthy base in terms of manufacturing, but also a stronghold in aerospace research, what --

KRISTIN KOPP-VAUGHAN: Yeah. I'm sorry, go ahead.

SENATOR FONFARA: What do you mean by that?

KRISTIN KOPP-VAUGHAN: So when I was in high school my vision -- so I went to high school in Shelton. (Inaudible) Fairfield County but, there's always at least one; we're a small state.

So I knew Sikorsky. I had friends whose parents worked at Sikorsky. They had good jobs. Everyone I knew worked on the manufacturing floor, which was awesome. These guys knew how to build like anything. I don't know if you've ever talked to any of these machinists, but they're fabulous.

But I knew that I was -- to be perfectly

honest, I was very interested in math. I was very interested in science. And I was very interested in the more scientific aspect of things. I was less interested in personally, physically putting them together. I was more interested in really the root at what drives why things are happening, you know?

And personally I didn't see a lot of that around me. So to me the only way to do that at the time was to go somewhere like NASA or National Lab or somewhere. To be perfectly fair, companies outside of Connecticut, large companies. I had more of an understanding of their engineering, what they did there. And I didn't really know -- I hadn't heard of UTRC. I think that would have changed my mind right then. I had no idea that companies like Pratt were really doing R&D. They weren't simply just putting the engines together.

So I think it just took a little bit of me, you know, being older than 17 and then looking into things a little more and really understanding what the State had to offer instead of what it just appeared from the outside, I would say.

SENATOR FONFARA: How do you believe this investment will attract more people like you, and will it?

KRISTIN KOPP-VAUGHAN: Yes.

SENATOR FONFARA: And will it translate, and maybe this is unfair, you're not, as you said, beginning -- you're not president or whatever. But to --

A VOICE: Yet.

SENATOR FONFARA: To -- yet, that's right.

In inspiring you to do more things and figuring out. I'd love to learn more. I'm sure more members here would like to learn about when you said about an engine that produces more electricity and less emission.

KRISTIN KOPP-VAUGHAN: Oh, we're testing later this year. It's really exciting.

SENATOR FONFARA: It sounds it. That would then lead to more people sitting over there to your right.

KRISTIN KOPP-VAUGHAN: Yeah, absolutely. These guys, I assume you guys are (inaudible) but there's absolutely anything you need, these guys can build. They are fabulous.

So the thing about our facilities right now is they're not new, not even a little new. And so you walk into them -- when I first started going to Pratt I was actually still in grad school at the time. We had this really neat program between UCONN and Pratt & Whitney where some of the professors at UCONN teach classes at Pratt & Whitney. So as a UCONN student, as long as you're a US Citizen, you can go and start to form relationships and start to learn -- I wouldn't quite call it on-the-job, but a little bit closer.

So I remember the first time I went there and I expected -- at this point I knew the kind of engines that Pratt & Whitney output. I knew the kind of detailed math that we did. I knew the kind of calculations and analysis. I knew the kind of crazy tolerances that these guys

could hold and put together. And I expected something at least newer or younger than I was and the latest facilities.

And when I first walked in and saw just how old some of the facilities were, it almost puts a damper on that excitement a little bit. I mean you walk into a building that's 50 years old. And while the computers might be up to date, there's a certain ambiance around some of the newer buildings.

Did you ever walk into a brand new building in New York or anything and you look and you're like oh yeah something is going on here, you know? And I think that the buildings we have right now don't quite bring that message across. So I think we want to translate that a little bit more to people, especially towards the end of their college careers.

There are a lot of people at UCONN right now. There are a lot of professors at UCONN in combustion. There are a lot of aerodynamics professors. There are a lot of materials professors. You don't want to let those people that are getting their PhD's go, you know? They're too good.

The State put too much of an asset into UCONN to let it go somewhere else because they walk in and go maybe I can find something better before they even really look past the exterior.

SENATOR FONFARA: Thank you.

Thank you, Mr. Chair.

REP. PERONE: Thank you. Representative Larson.

REP. LARSON: Thank you, Mr. Chairman.

I'm really excited about your prospect. And again, your testimony is everything that we live and die for as Legislators to keep people like yourself staying put in Connecticut.

What really drives me to support this is I've grown up in East Hartford. I've lived there my entire life and I hear every other week that we're coming or going, or we're staying. And it is very troublesome because most of the work is centered around large military contracts.

I have a brother-in-law, as I had spoken to earlier, and my father actually for 37 years was an industrial firefighter at Pratt & Whitney.

What I'm intrigued about is that your lunchtime conversations about coming and going and where we're going to be, which is common for folks and so forth. And what this does for me is it gives this confidence that there is going to be an investment and there's going to be some sense of permanency for a while.

And so it gives folks like you and your colleagues and other people the opportunity, who are sort of wondering about their job and their status and if they're going to buy that car or if they're going to invest in a home hopefully in East Hartford.

KRISTIN KOPP-VAUGHAN: I live in East Hartford.

REP. LARSON: You do?

KRISTIN KOPP-VAUGHAN: I do.

REP. LARSON: Oh, that's great. Do you go to Augie & Ray's for lunch?

KRISTIN KOPP-VAUGHAN: But that was something we considered when we were looking.

REP. LARSON: Well, God bless you.

KRISTIN KOPP-VAUGHAN: I love East Hartford, so --

REP. LARSON: Me too. But it's the very core of what we're trying to do as a community and as a state is to get confidence back and people to come back to work here, and I'm glad that this has brought you out.

I'm hearing an amendment amongst all of us that we're going to maybe try to amend this bill. And if we can get you maybe a vice president's job inside the company, we'll try to work that out for you.

God bless you. Thank you so much for your testimony.

KRISTIN KOPP-VAUGHAN: Thank you so much.

REP. PERONE: Representative Morin.

REP. MORIN: I can't follow that much and I'm not going to try. But, Doctor, thank you for coming.

And I guess the point I want to make and I don't want to be redundant. But your testimony along with some of the folks from the trades, and the people from CBIA, what it

does is it shows us how everyone is tied into this particular project and how important it is to so many different sectors. And to get so many people coming together in agreement is refreshing frankly.

And as a parent of two adult daughters that are here and working in Connecticut, those are the types of things because the things we're hearing is young people won't stay in Connecticut. Young people don't want to be here. You have nothing for them, blah blah blah. And so obviously I'm always happy when I see that my young people are here, but --

And then hearing your story and talking about how the people from Florida are saying we love Connecticut. So we don't hear enough of that and so I'm very appreciative that you happened to bring that up.

And again, it's just refreshing for us to have this opportunity for dialogue and I look forward to working with all of you in the future.

Thank you for coming.

KRISTIN KOPP-VAUGHAN: Thank you.

REP. PERONE: Thank you. Are there any other questions?

Okay. Well, thank you very much again for your testimony.

Okay. Tony Cacace followed by Larry McHugh.

TONY CACACE: Good afternoon. My name is Tony Cacace and I'm the Executive Vice President of

Technology for GKN Aerospace, and I'm currently also the GM of the Cromwell site.

We started that Cromwell site less than ten years ago with five people. And now as I've spoken before, it's about 130 people. And we're opening up the third building to try to house some of the new designs and developing we're doing right now. (Inaudible)

In saying that, all of our industry is in a global competitive environment, and I'm going to vary from my testimony as I usually do. The Integrated Process Team that I mentioned in my testimony has worked through Pratt & Whitney and their design folks. The more we can keep design in Connecticut and development in Connecticut it trickles down to old industry like myself.

There are smaller companies like Mike Polo's company that takes on a lot of that responsibility. There are a number of companies. I belong to the ACM also and there are probably 86 companies that get benefits from all that design and development, co-design and development. We're in a mortal combat right now with Japan over a case and we're doing it collectively with UCONN.

We're actually taking the -- I think Pratt is hearing this for the first time. We're taking their components and we're moving them into the UCONN facility with our engineers to co-develop the next generation geared turbofan frontend.

We already own the -- I shouldn't say that, but because of the competition we had on the JSF, the Joint Strike Fighter, we make the

frontend of the Joint Strike Fighter right in Cromwell. Which when you think long and hard about it, all the states competed with it. Nations competed with it.

My own company internally, we have a conflict -- I don't have a conflict, but they always look at 30 other countries. They're represented in 30 other countries, GKN is, and they still select Connecticut. We actually, thanks to Larry McHugh and the team, we invited the chief executives of GKN in and we convinced them that the center of excellence is in Connecticut and we're trying to get the National Center of Composites with Mun Choi to be stationed in Connecticut.

But without UTC's help and with having this facility where they house all these new engineers, and engineers will increase as you house -- just like this young PhD said. We have to give them housing where it encourages innovation, it encourages the collaboration between small companies and ours.

My colleague might have something to add to that.

STEVEN HAYSE: Good afternoon. My name is Steven Hayse. I am the Principal Technologist at the GKN Cromwell site.

We make high performance and highly advanced composite components for -- Pratt & Whitney is one of our primary customers. And our success really has hinged largely on our ability to work collaboratively with the engineers at Pratt & Whitney.

And it was mentioned earlier, we have weekly

IPT meetings on several programs where Pratt & Whitney engineers choose to come to our facility because we are very welcoming because it's -- to that process. We call it the IPT process, Integrated Product Department Teams. And we offer design for manufacturing support to them because they produce a brilliant product in these jet engines.

We also produce a brilliant product, which is the manufacture of composite components for those jet engines. So together we both progress.

Thank you for your time.

REP. WIDLITZ: Thank you for your very interesting testimony.

I think many of us weren't familiar with all of the collaboration that's going on in this small state that puts us really in the forefront of the aerospace industry. And so it's been a very interesting afternoon.

Are there questions from Committee members?

Representative Larson.

REP. LARSON: Thank you, Madame Chair.

It's very interesting to hear the new development of PurePower and the revolution in commercial airline industry.

Is that the majority of your business, or is it on the military side?

TONY CACACE: We started out with the military version of this exercise.

What has happened is -- like I said, my company -- I retired from UTC. When GKN offered me a job I was station in Alabama. Alabama was very difficult because the intellectual quota we have here as far as technology far surpasses most of those states.

What they do is they'll build your buildings, and that's what lured GKN down there. And they offered me a job to go down there and start up a place. What I managed to do was convince them that with the technology that existed up north we could probably win a spot on the Joint Strike Fighter. So I went to London and we sold that. We had five people starting it, like I said, and we started off on the military side.

A lot of technology is transferable to the commercial side. So what we did is we built this fine composite piece. I invite any member of this Committee to visit our facility, and you'll see some of the technology that gets put in place.

We transferred that to the commercial side and with that we made a case. And we're in competition because the Japanese already have the case. And I think we could win it back, the commercial one. The military one we own already.

REP. LARSON: That's great to know.

My full-time job, I help out at Tweed New Haven Airport, so I have a keen sense for the way the way that the airline industry is going.

In fact, US Airways, who is our only carrier currently, is phasing out their Dash 8 Airplane and looking to enhance obviously with their new merger with American Airlines, looking to make and create smaller regional jet opportunities.

And with the price of fuel being one of the larger proponents of the commercial airline industry, you've seen sort of a constriction of the business going to larger hubs and making people drive further away to get to drive-through or nonstop destinations like Logan or New York; although Bradley has had some great success.

I think we're looking very much in New Haven to the new style of plane because I think a new style of plane will be much more efficient and frankly quieter in the neighborhoods. And I think it will be a new sort of industry so that now that the commercial business is grown, I think you're going to see a little bit of retraction back to the small regional hubs of which we are and much more profitable for airlines to operate with a more fuel efficient engine in their equipment.

So thank you.

TONY CACACE: Thank you.

Thank you, Madame Chair.

REP. WIDLITZ: Senator Fonfara.

SENATOR FONFARA: Thank you, Madame Chair.

Tony, I'd like to just for the record say that your testimony, I don't think it's written,

but you spoke to it that you started with eight employees, I believe you said?

TONY CACACE: Yes. Well, five actually.

SENATOR FONFARA: Five, and now you have 150?

TONY CACACE: A hundred and thirty. And we're going to open up another building probably in -- should I announce this, in Wallingford, another site there.

SENATOR FONFARA: And the fact that you've grown here in Connecticut with this global company I think is attributed to a couple of things. One, the fact that again we have the mother ship here in terms of UTC and Pratt, and we should not just because they've been here for a hundred years, that we shouldn't underestimate that. That's what a lot of this is about here today, but also your personal commitment to Connecticut.

We've had conversations about it and how much individual decision. Using a sports analogy, you can point to Geno Auriemma or Jim Calhoun, their first big recruit that turned the corner. And these may not be things that end up in the front pages of the papers, but in terms of the quality of life of our state and our position nationally, internationally, and aerospace, and engineering are these incremental steps, individual by people and by companies and, yes, by our Government are what keep us in the forefront hopefully growing.

So thank you personally for your commitment to this State.

TONY CACACE: Thank you. You know, one point I'd

like to make. I was at an air show in Farnborough. And when you look at the states, they have these big booths and they put a lot of the congressional districts in there and they all measure themselves against Connecticut.

And I pointed that out to Sir Kevin Smith that runs GKN. And I said listen closely, they all measure themselves against this wonderful state. And it's always been good to me and it's been good to my family, so it's the place to be.

SENATOR FONFARA: Thank you.

REP. WIDLITZ: Thank you so much for your testimony.

Anyone else with a question?

Thank you.

Next we have Larry McHugh, followed by Bruce Silva.

Good afternoon.

LARRY MCHUGH: Good afternoon.

Before I start, I can see how proud I am of somebody like Tony Cacace, who is such a great member of our Chamber, along with Michael Polo, another one of our small manufacturers.

And I wouldn't be -- really I would be remiss if I didn't mention Kristin as a graduate of the University of Connecticut. And being here earlier today and then now and hearing the questions and the testimony, it just makes me

feel so good about being in the State of Connecticut.

I appear before you today to offer the strong support of the Middlesex County Chamber of Commerce for H.B. 5465, AN ACT CONCERNING THE CONNECTICUT AEROSPACE REINVESTMENT ACT.

The Middlesex Chamber is the largest chamber in the State of Connecticut, and our Executive Committee voted to support this agreement between United Technologies in the State of Connecticut at its March 3rd meeting.

This agreement is great news for both Middlesex County and for the State of Connecticut. It ensures that UTC will remain anchored in our state and that Connecticut will continue to be a world leader in the aerospace field.

Pratt & Whitney's Middletown Engine Center is a major employer not only for Middletown, but indeed the State of Connecticut. This deal provides stability and is a major boost for our state's economy.

I applaud Governor Malloy and UTC Chairman Louis Chenevert for their vision, their leadership, and their commitment to Connecticut. This agreement is not only important for Pratt & Whitney, Sikorsky, UTC Aerospace Systems, UTC Building and Industrial Systems, but for the many local suppliers that support thousands of jobs.

This impact -- the impact of this deal will have on our hundreds of small and medium sized companies cannot be understated.

In addition to serving as President of the Chamber, I'm truly honored to also serve as Chairman of the Board of Trustees for the University of Connecticut. This agreement fits in perfectly with UCONN's focus on science, technology, engineering, and math through Next Generation Connecticut. The agreement will lead to terrific employment opportunities for Connecticut's best and brightest students.

Again, I thank each of you for your support hopefully of this, but more importantly to me, your support of all the citizens of the State of Connecticut.

Thank you very much.

REP. WIDLITZ: Thank you for your testimony.

Are there any questions or comments?

Thank you very much. We appreciate you being here.

Bruce Silva. That is the last person signed up to testify. If there is anyone else waiting, please let us know.

BRUCE SILVA: Good afternoon.

My name is Bruce Silva. I'm the business manager for IBEW, International Brotherhood of Electrical Workers.

I'm here today to submit testimony on behalf of Peter Reilly and Hartford-New Britain Building Trades to Finance Committee Co-Chairs Senator John Fonfara and Representative Patricia Widlitz, Commerce Committee Co-Chair,

Senator Gary LeBeau and Representative Chris Perone.

On behalf of thousands of men and women with the Greater Hartford-New Britain Building Trades Council and its 14 affiliate unions, we stand in support of the tax relief legislation proposed in regards to the UTC expansion.

With $500 million going into expansion and construction in the next five years, it will have a positive impact on the industry that has suffered over 20 percent unemployment for the past five years.

These projects would put hundreds of our members to work and provide economic stimulus to Connecticut through expendable income and tax dollars. This is just the type of stimulus that Connecticut needs; construction, manufacturing, research. It has all the components of success.

With UTC expected to invest up to $4 billion in research and capital expenditures in the State and the impact on more than 75,000 jobs, we must support this proposal.

This is the time for Connecticut to once again reestablish itself as a place of positive economic growth; a state to move to and not away from.

Sincerely, Peter E. Reilly, President of the Greater Hartford-New Britain Trades Council.

REP. WIDLITZ: Thank you very much for your testimony and for waiting to give your testimony. We appreciate that.

BRUCE SILVA: Well, it was short.

REP. WIDLITZ: Representative Larson.

REP. LARSON: Thank you again for your testimony. I really appreciate the opportunity for you to come out. I'm excited about the potential for future work and I'm also very grateful for your opportunity to include veterans in your careers.

I think it's critical that as we come out of this terrible war and travesty in other countries that we supply our veterans an opportunity to get to work. And I know that you guys have a tremendous hookup and a great thing.

I don't know if you have an opportunity maybe you can just expand a little bit on those projects for veterans.

BRUCE SILVA: The veterans, we're involved with Helmets to Hardhats.

REP. LARSON: Yes.

BRUCE SILVA: We give -- when the veterans come in we give them every opportunity. We make sure that they come in for an interview. We try to get them involved to give them something more than just a job and get them into training and give them a career.

Some of these veterans already have background in some of the electrical form what they did in their military experiences. And, like I said, we found out they are probably some of the best candidates we have apprentices because they already have -- I was in the

military. You already have -- you're regimented and you just show up on time. You know how to take orders, for the most part, and do what you're supposed to do.

These are some of our best people that we have out there is the veterans. And we look forward to getting these people here. I think all the trades, not just the IBEW, but I think all the construction trades, I can speak for the Hartford-New Britain Building Trades. We always give the veterans every opportunity to come in because we want them as part of us. They'll make us grow.

REP. LARSON: I think that that's wonderful.

It was interesting. I visited Cheney Tech, which is in my district. And the kids coming out of there with a certificate for -- to become an electrician simply weren't able to find any work where they could substantiate the hours to sort of backup their certificate or find an employer actually that had work that would allow them to tag along and follow along.

So I think that this is a very interesting concept. This is going to be a wonderful project for the Greater Hartford area and for our workers. So thank you for your support of this and keep on doing what you're doing.

Thank you.

BRUCE SILVA: Thank you.

REP. WIDLITZ: Thank you very much for your testimony.

BRUCE SILVA: Thank you.

REP. WIDLITZ: Before we adjourn, I do have a notice.

There is a change in the schedule tomorrow for anyone who is on the General Bonding Subcommittee. It was scheduled to meet at 10:00 AM. It's been moved to 11:30.

They will begin with the Board of Regents at 12 -- rather, the Board of Regents has been rescheduled for 12:30 to 1:30. So please take note of that those of you who are on the Bonding Subcommittee.

And with that, we will adjourn.

Thank you all for attending for a very uplifting hearing. Thank you.

Barnes | P. 1 Line 2

Smith | P. 1 Line 3

JOINT TESTIMONY PRESENTED TO THE FINANCE, REVENUE, AND BONDING COMMITTEE AND THE COMMERCE COMMITTEE
March 10, 2014

Benjamin Barnes
Secretary
Office of Policy and Management

Catherine Smith
Commissioner
Department of Economic and Community Development

Testimony Supporting House Bill No. 5465

AN ACT CONCERNING THE CONNECTICUT AEROSPACE REINVESTMENT ACT

Senator Fonfara, Senator LeBeau, Representative Widlitz, Representative Perone and distinguished members of the Commerce and Finance, Revenue, and Bonding Committees, thank you for the opportunity to offer testimony on House Bill No. 5465, An Act Concerning The Connecticut Aerospace Reinvestment Act. We strongly support this legislation and urge you to do the same.

This bill establishes a process by which taxpayers that are primarily engaged in the industrial sector may apply to the Commissioner of Economic and Community Development for certification of certain projects they intend to undertake in Connecticut as state certified industrial reinvestment projects. The bill authorizes the Commissioner to enter into a contract with eligible taxpayers in order to incentivize economic development and capital investment in Connecticut. To facilitate an agreement, the Commissioner is authorized to agree to an exchange of unused research and development (R&D) tax credits. In order to qualify for this incentive, projects must, in the discretion of the Commissioner, be consistent with the strategic economic development priorities of the state.

This legislation will enable the Commissioner to implement an agreement reached between Governor Malloy's administration and United Technologies Corporation (UTC). As a result of this deal, UTC will make $500 million in capital investments in Connecticut over 5 years. These investments will ensure that the state's largest private employer maintains its presence in Connecticut in future years. This testimony is accompanied by a PowerPoint presentation, which will provide specifics of the agreement in principle between UTC and the State.

We would like to again thank the committees for the opportunity to present this testimony. We respectfully request that the committees support this bill, and we will be happy to answer any questions you may have.

State of Connecticut

House Bill No. 5465

AAC The Connecticut Aerospace Reinvestment Act

Presentation before the
Finance and Commerce Committees

Catherine Smith, Commissioner, DECD
Ben Barnes, Secretary, OPM
March 10, 2014

Introduction

Why are we here today?

1. Testimony in support of the bill before you

2. Provide pertinent background information

3. Explain the agreement
   - Details
   - Facilities/Construction
   - Investment
   - Potential State Costs
   - "Earning" Tax Offsets
   - Economic Impact
   - Comparison

4. Conclusion

000057

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   - Details
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   - Investment
   - Potential State Costs
   - "Earning" Tax Offsets
   - Economic Impact
   - Comparison

4. Conclusion

000058

Background
Research & Development Tax Credits in Connecticut

- Originally enacted in 1993
- Credit worth 1% to 6% of research and development (R&D) expenses
- Taken against the corporation tax
- Credits against the corporation tax may be used to reduce a taxpayer's liability by up to 70%
- Unused credits may be carried forward to future years at full value
- At the end of FY 2013:
  - $4.8 million in R&D credits claimed
    The majority of these were claimed in the manufacturing sector
  - There were $1.4 billion in unclaimed R&D tax credits

000059

Background
Why is UTC important to Connecticut?

A long history with Connecticut:

- Pratt & Whitney founded in 1925
- Sikorsky moved to Stratford in 1929

United Technologies Corporation (UTC) is one of sixteen Fortune 500 companies headquartered in Connecticut. It ranks 50th in the nation based on revenues.

UTC is the largest private employer in Connecticut[1]

Together with the substantial supply chain that has developed, Connecticut's experienced workforce, and UTC's presence, Connecticut is a global aerospace hub:

- Connecticut is 6th in number of aerospace jobs[2]
- Connecticut is 2nd in aerospace jobs per capita[3]

[1] Hartford Business Journal - 2013 Book of Lists
[2] UTC, *Powering the Future of Connecticut Aerospace*, February 2014, page 6.
[3] Ibid, page 6.

000060

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000061

Background
Why is UTC important to Connecticut? (cont.)

Suppliers:

- UTC has nearly 2,500 direct suppliers across Connecticut, 700 of whom have provided more than $100,000 in goods or services to UTC over the past year
- UTC suppliers come from all 169 towns in Connecticut

Note: Map displays the 700 major suppliers providing more than $100,000 in goods and services to UTC

000062

Background
Why is UTC important to Connecticut? (cont.)

Exports and Employment:

- Transportation Equipment (including aerospace) with employment of about 41,000, is the largest sector for manufacturing employment in Connecticut
- In FY 2012, Transportation Equipment accounted for 45.2% of Connecticut's total exports of $16 billion – more than 3 times the next largest sector
- UTC makes up about half of the Transportation Equipment sector's employment

Defense:

- Defense contract awards made up 5.2% of the state's GSP in Federal Fiscal Year (FFY) 2012
- Connecticut ranked 7th among all states in defense contract awards at $12.7 billion in FFY 2012
- Connecticut ranked 2nd in Per Capita Defense Contracts awards in FFY 2012
- UTC is Connecticut's largest defense contractor

000063

Background
Why is UTC important to Connecticut? (cont.)

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000064

The Agreement
UTC Requirements

United Technologies Corporation (UTC) will:

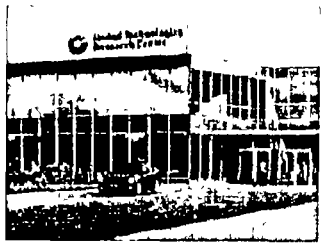
- Make investments of $500 million over 5 years ($375 million at P&W/UTAS/UTRC, $125 million at Sikorsky)
- Invest billions more in aerospace research and development in Connecticut and maintain strong levels of employment in the state
- Maintain and operate Pratt & Whitney division headquarters in Connecticut for at least 15 years after completion of construction
- Maintain and operate United Technologies Research Center and Aerospace Systems facilities in Connecticut for at least 10 years after completion of construction
- Maintain and operate Sikorsky headquarters in Connecticut for at least 5 years

000065

The Agreement
Facilities/Construction (2014 – 2018)

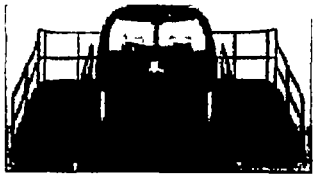
New Pratt & Whitney 425,000 square-foot World Headquarters and Engineering facility in East Hartford – A collaboration hub for manufacturing facilities worldwide – Replacing structures from the 1930's and 1962

The upgrade and expansion of 100,000 square feet of UTC research and engineering labs in East Hartford – for research in advanced product and manufacturing technologies and to enable collaboration with university researchers – Renovating/expanding facilities built from 1943 - 1986



New engineering labs and a 12,000 square-foot global customer training center at the UTC Aerospace Systems facility in Windsor Locks, replacing the original from the early 1960's

Significant capital investments at the Sikorsky facility in Stratford, including improvements to engineering and design labs and upgrades to manufacturing facilities



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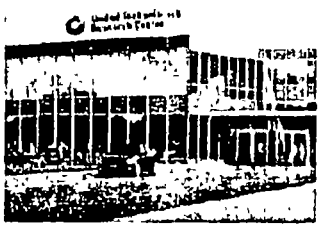

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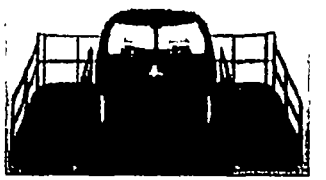


000067

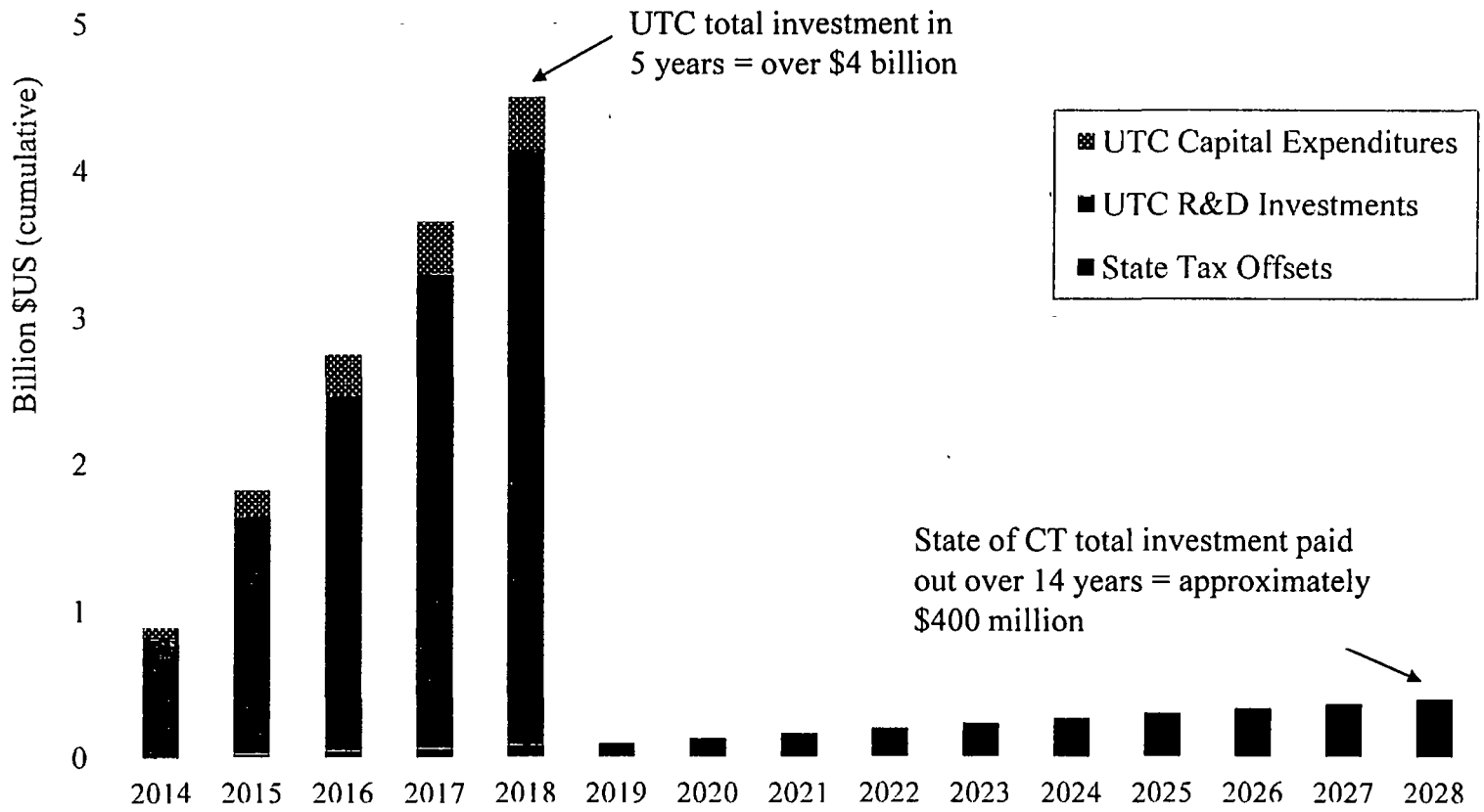
The Agreement
State Requirements

- State will allow UTC to exchange previously earned R&D tax credits to offset future sales and corporate tax obligations, not to exceed $400 million
- Agreement requires no state bonding or appropriations
- State will spread tax offsets over 14 years, with a maximum of $20 million in offsets per year for the first 5 years
- Agreement provides a claw back provision if company fails to meet required terms
- State will measure company performance over the next 5 years against certain key metrics to determine final benefit to the company

000068

The Agreement

Expected Cumulative UTC and Connecticut Investments

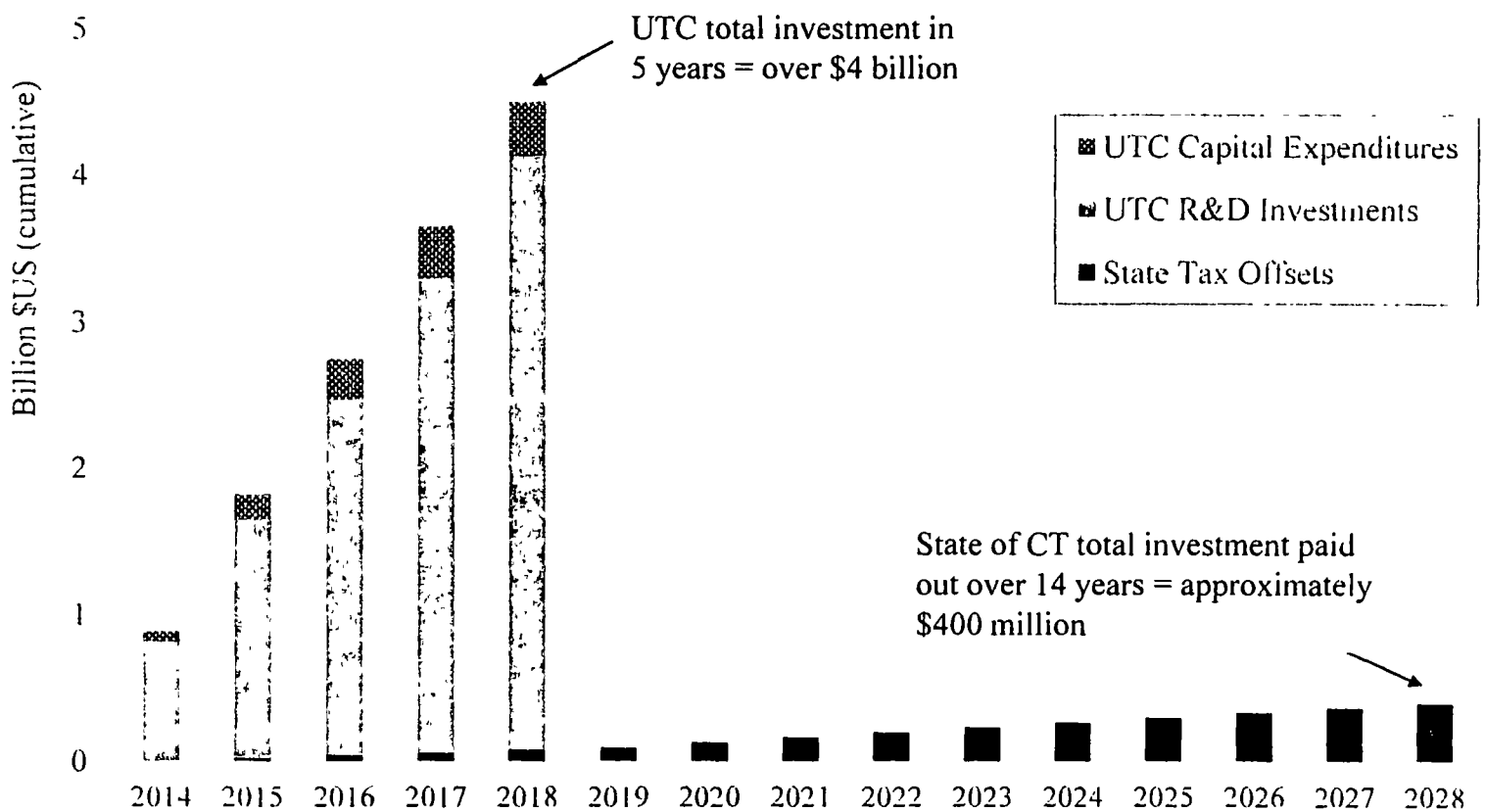


Assumes company performs at the 100% funding level

000069

The Agreement

Expected Cumulative UTC and Connecticut Investments

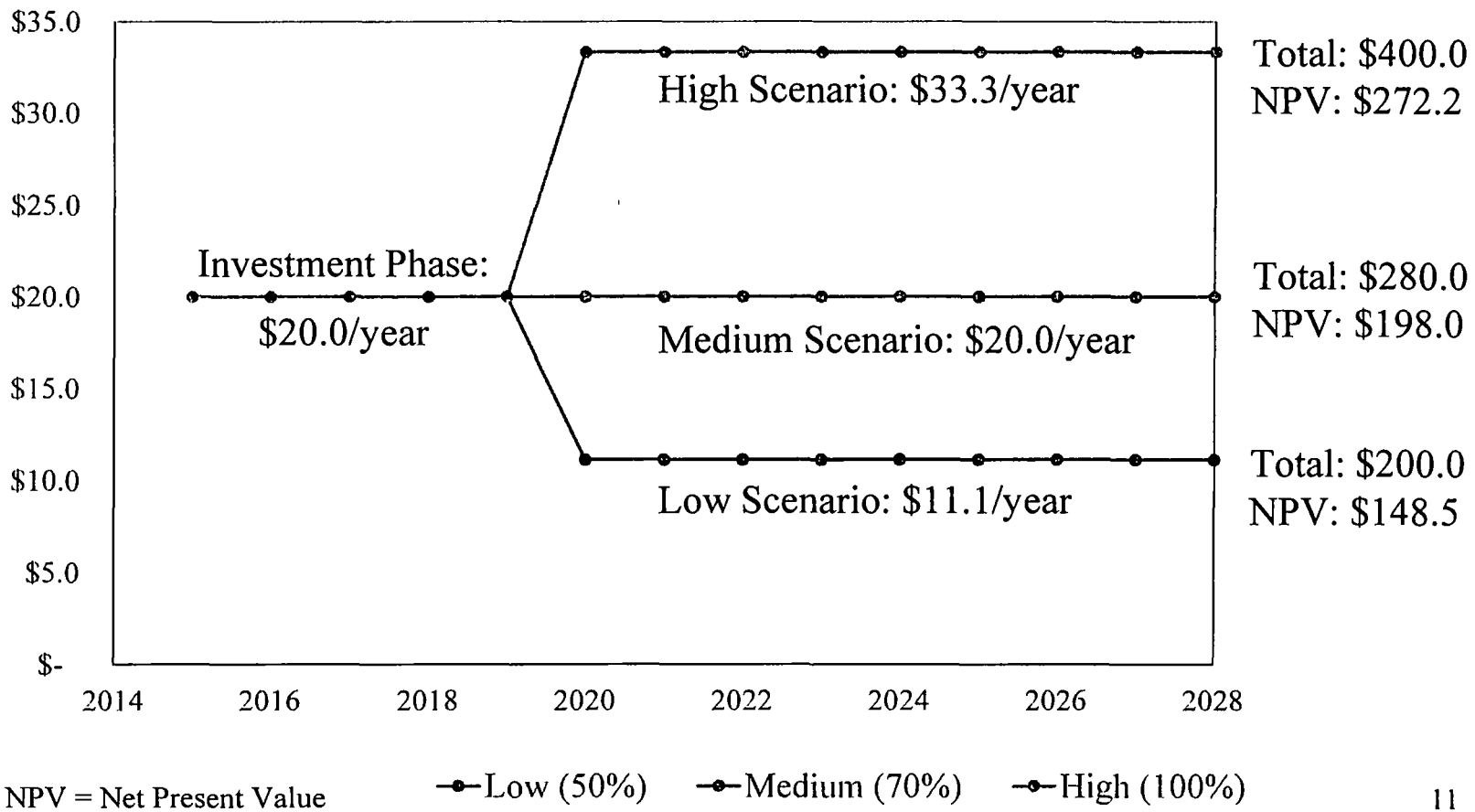


Assumes company performs at the 100% funding level

000070

Future State Costs Depend on UTC Performance

Potential State Costs: FY 2015 – FY 2028 (in millions)



NPV = Net Present Value
Calculated at 5%

000071

The Agreement - How is it calculated?

P&W/UTRC/UTAS Must "Earn" its Tax Offset

Total Tax Offsets will be calculated based on activities during the first five years (2014-2018), including:

(1) Actual investments made by UTC (estimated Target Spend)

(2) Four factors, which include Engineering Headcount, Total Headcount, Gross Payroll, and R&D / Capital expenditure investments

The dollar amount of the exchange/offset, to be paid out over 14 years, will be calculated based on the actual annual investment (Target Spend) multiplied by the weighting and level of each factor

Target Spend by UTC ($ Millions)	
Year 1	80
Year 2	100
Year 3	100
Year 4	75
Year 5	20
	375

Years 1 to 5

Engineering Headcount		Total Headcount		Gross Payroll ($M)		R&D / Capex ($M)	
Weighting	20%	Weighting	30%	Weighting	30%	Weighting	20%
Below 4,350	0%	Below 12,450	0%	Below 1,370	0%	Below 680	0%
4,350	35%	12,450	35%	1,370	35%	680	35%
4,500	50%	12,900	50%	1,415	50%	710	50%
4,700	70%	13,500	70%	1,475	70%	750	70%
5,000	100%	14,400	100%	1,565	100%	810	100%

Note: The above table has been truncated for display purposes.

P&W/UTRC/UTAS = Pratt & Whitney / United Technologies Research Center / United Technologies Aerospace Systems

000072

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000073

The Agreement – How is it calculated?

Sikorsky Must "Earn" its Tax Offset

- Should Sikorsky invest $125 million over the next five years, the State will exchange up to $50 million in tax credits
- Credit exchanges determined based on two part formula:
  - $1 million for new R&D projects in Connecticut over $10 million that retain 100 or more employees
  - 40% for capital expenditure projects within Connecticut over $1 million

000074

The Agreement – Overall Economic Impact

Impact on Connecticut's Economy and Jobs

Impact Over 15 Years (2014 - 2028)*				
	Direct Jobs	Indirect and Induced Jobs	CT GDP ($M)	Net State Revenues ($M)
NO AGREEMENT	-5,700	-2,800	-$1,202.6	-$74.8
AGREEMENT	+300	+900	$104.8	$6.5

* Average over the 15 year period

No Agreement assumes:

- Declining engineering and total employees (-7% per year for the first 10 years) as UTC builds new facilities in other parts of the world
- Associated downward adjustments in R&D expenditures

Agreement assumes:

- UTC achieves 100% of the available tax credit exchanges
- Net State Revenues include the negative impact of $400 million of tax offsets
- Engineering and total headcounts, Gross Payroll, and R&D/Capex are held flat at the 100% funding level over analysis period

Source: DECD

000075

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Source: DECD

000076

The Agreement – Construction Impact

Impact on Connecticut's Economy and Jobs

Construction of the new headquarters and other facilities is, by itself, a major economic stimulus.

Impact of the $375 Million Investment* Over 5 years (2014 - 2018)			
Jobs	Indirect and Induced Jobs	CT GDP ($M)	Net State Revenues ($M)
+563	+347	$62	$9

* Average over the 5 year period

- Construction jobs peak in year two with 847 jobs, then decline as buildings are completed.
- Indirect jobs (those created by the overall activity of the construction) start at 750, declining with the completion of construction.

The impact of construction only with no other activities or incentives
Source: DECD

000077

The Agreement
State's Commitment Compares Favorably

Connecticut/UTC deal **($400 Million)**	Washington/Boeing offer **($8.7 Billion)**
• UTC may exchange up to $400 million in previously earned tax credits over the next 14 years but must "earn" that level by retaining/growing jobs, payroll and investments	• Over next 25 years, Washington state would provide: – $4.2 billion in business and occupation tax relief – $3.5 billion in tax credits – $563 million of property tax credits – $242 million sales tax exemption

000078

The Agreement

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000079

Conclusion

What does this agreement offer Connecticut?

Short Term

- Construction jobs – immediate, next 5 years
- Substantial investments from UTC in building a deep research and manufacturing capability helps tie them to the state in the future

Long Term

Direct Impact:

- State of the art facilities located in Connecticut
  - Some current facilities have been in use since the Depression or dawn of the jet age
- Job retention/potential for expansion
  - Demand for technical, highly skilled and highly compensated workers
- Retain and grow the Supplier network
- Support the State's exportable goods and services sector

080000

Conclusion
What does this agreement offer Connecticut? (cont.)

Long Term

Indirect Impact:

- Connecticut can partake in the projected rising commercial aerospace demand, and bridge the gap left by anticipated slowing in defense spending
- STEM initiatives tie-in with State colleges and universities
- Decision-makers located in Connecticut via Headquarters requirement
- Perception about Connecticut as a place to do business
  - Strong vote of confidence from largest employer in the state

❖ Potential to extend this concept to other companies in the future as well

000081

Conclusion

What does this agreement offer Connecticut? (cont.)

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000082

Conclusion
Foundation for the Future

Real reason we are here today is about the **<u>future</u>**

- Right place
  - The tasks before the company offer challenging and rewarding work for our citizens
  - Connecticut's citizens are highly productive, with output per worker more than 33% above the national average
  - Leverage existing knowledge, skills, and facilities that is not easy to replicate
  - There is a strong need for facilities that will retain and attract the best and brightest to our state
- Right time
  - UTC is looking to hire workers to address expected wave of retirements over the next decade
  - Company officials are optimistic about the commercial aviation market in general and their specific product lines within that market
  - Foresee increased demand from developing countries due to rising living standards

<u>The People of Connecticut have an Opportunity to Share in this Prosperity</u>

000083

P-1
Line 7

United Technologies Corporation
One Financial Plaza
Hartford, CT 06101

United Technologies
Propulsion | Aerospace Systems

Joint Hearing of the Finance Revenue and Bonding and Commerce Committees

Testimony of Peter A. Gutermann, Vice President and General Counsel, UTC Propulsion & Aerospace Systems

in support of

HB5465 AN ACT CONCERNING THE CT AEROSPACE REINVESTMENT ACT

Senator Fonfara, Representative Widlitz, Senator LeBeau, Representative Perone, Senator Frantz, Representative Williams, Representative Lavielle, and members of the Finance and Commerce Committees, my name is Peter Gutermann, and I am the Vice President and General Counsel of United Technologies Propulsion and Aerospace Systems. Thank you for allowing me the opportunity to testify today in support of the Connecticut Aerospace Reinvestment Act. I am delighted to be here to talk about the future of United Technologies' aerospace business here in the state of Connecticut.

UTC in Connecticut

As Commissioner Smith has just outlined, the Connecticut Aerospace Reinvestment Act represents a historic, once-in-a-generation opportunity to make investments that will ensure long-term economic stability for Connecticut's aerospace industry. Aerospace is a strategic advantage for Connecticut and critical to the state economy. Connecticut ranks 6th in aerospace and defense employment in the United States and has the second highest concentration of aerospace workers in the country. At UTC, we are proud to be part of the state's aerospace hub and a major driver of that competitive edge.

Of the 41,000 aerospace and defense jobs in Connecticut, UTC provides more than half at approximately 22,000 employees. In addition, approximately 2,500 local businesses provide parts and services to UTC, employing tens of thousands more in the state. While we are a global company, our aerospace businesses are deeply rooted in our home state.

United Technologies Corporation
One Financial Plaza
Hartford, CT 06101

United Technologies
Propulsion | Aerospace Systems

Connecticut is home to Pratt & Whitney's headquarters, engineering center, advanced manufacturing, jet engine assembly and test sites, and our global customer training facility.

Connecticut is home to UTC Aerospace Systems' engineering center, precision manufacturing, and 24/7 customer response center.

Sikorsky's world headquarters, research and development center, manufacturing facility, helicopter assembly and test operations, and customer service facility are all in Connecticut.

The United Technologies Research Center employs a world class team of over 500 people, including over 400 scientists and engineers with advanced degrees. More than 75% of these engineers and scientists have at least one PhD.

UTC Innovation and Partnership with Education

Clearly, Connecticut has an aerospace critical mass with a significant UTC presence, a solid supplier base, and world-class colleges and universities, like UCONN, nurturing the talent we need to innovate here.

And at UTC, innovation is what we do. We have been and continue to invest heavily in engineering and are developing leading-edge technologies right here in Connecticut. As a result, we have been very successful in winning new business with our game changing products and are positioned for significant growth in the years to come.

We believe that the future belongs to those willing to invest in innovation. The simple truth is that companies -- and states -- that invest in innovation and attract the highest skilled employees -- from scientists and engineers to technicians and skilled production workers -- will be winners in the global economy. That is what the CT Aerospace

United Technologies Corporation
One Financial Plaza
Hartford, CT 06101

Reinvestment Act represents -- an investment that positions UTC and Connecticut for future success.

UTC's strategy of continuously investing in technology development -- even during challenging economic times -- has served us well. The scale of our investment is truly impressive -- over the past two decades we have invested $19B in research and development here in Connecticut.

Thanks to these investments, UTC is well positioned for the future -- with strong customer demand for products like Pratt &Whitney's revolutionary Pure Power Geared Turbofan Engine; UTC Aerospace Systems' advanced systems for the Boeing 787 and Airbus A350XWB; and Sikorsky's S-76D and S-92 helicopters. Looking to the future, we know we cannot be complacent. Continued investment will always be needed and part of that investment is the construction of world-class facilities and laboratories to attract and retain today's best engineering talent and Connecticut's next generation of innovators.

Many of this next generation will come from our state's colleges and universities, including the state's flagship university – UCONN -- with which UTC has had a strong history of collaboration. We now look forward to an even more mutually beneficial relationship. To put the size of that relationship in context – we have approximately 2,000 UCONN graduates working at UTC. We have made major investments in the UCONN School of Engineering in Storrs, including the creation of the Pratt & Whitney endowed chair for engineering faculty, and our research partnerships on aerospace technology and advanced manufacturing. With the investments we've committed to as part of the CT Aerospace Reinvestment Act we expect that number will continue to grow.

United Technologies Corporation
One Financial Plaza
Hartford, CT 06101

United Technologies
Propulsion | Aerospace Systems

UTC Investments

Today, we are at a critical point where we need to make major strategic investment decisions to upgrade our facilities and create a state of the art aerospace infrastructure.

Our first permanent facility in the state was built in 1929. Pratt & Whitney's engineers work in a building that was constructed in 1962 -- the dawn of the jet age. While that building has served us well for more than half a century, it is time to invest in a new headquarters and engineering center. We need to invest in our infrastructure to modernize our facilities, to support our growing business, and to continue to attract world-class talent.

Another major investment will also take place at our global Research Center. Many people outside of UTC are unaware of the critical role the Research Center plays in leveraging technology development across all of our divisions. Our scientists and engineers have generated over 3,000 patents during the last 20 years. The investments we're making at the Research Center -- upgrading and expanding 100,000 square feet of engineering labs -- will ensure that Connecticut remains the hub of UTC's technology development.

While the new Pratt & Whitney Headquarters and Engineering Building and the new UTRC labs are key components of our $500M in capital investments, our plan also includes upgrades and expansion at our research labs and manufacturing facilities around the state, including significant investments at:

- UTC Aerospace Systems in Windsor Locks,
- Sikorsky's facility in Stratford and
- Pratt & Whitney's facility in Middletown

United Technologies Corporation
One Financial Plaza
Hartford, CT 06101

United Technologies
Propulsion | Aerospace Systems

While declining defense budgets will continue to create some short-term pressures – especially for Sikorsky – long-term there are tremendous growth opportunities in aerospace. In fact, we are at the very beginning of a historic ramp-up in commercial aerospace, spurred by increasing demand across emerging markets around the world. Today only about 20 percent of the world's population has flown in an aircraft. This will change in the decades ahead as the world continues to urbanize, driving demand for air travel.

This growing demand presents a tremendous opportunity, not only for UTC, but for our thousands of suppliers here in Connecticut. At UTC, we recognize that now is the time to make the investments necessary to be able respond to that demand -- and we welcome the support from the State of Connecticut in allowing us to make those investments right here in our home state.

Working together, we have the opportunity to ensure that our state will remain at the leading edge of aerospace innovation while creating additional opportunities for our employees, our suppliers and the future graduates of the state's colleges and universities.

We are grateful for the Governor's vision and the hard work of his administration. It is our hope that the General Assembly will adopt this critical legislation to enable us to execute this agreement with the State of Connecticut so that our new world-class facilities will be built here in Connecticut – just across the river.

For these reasons, I respectfully request your support for the Connecticut Aerospace Reinvestment Act.

Thank you.

TESTIMONY BY MAYOR MARCIA LECLERC, TOWN OF EAST HARTFORD

March 10, 2014

R.B. No. 5465 (RAISED) AN ACT CONCERNING THE CONNECTICUT AEROSPACE REINVESTMENT ACT

Chairman Fonfara, Widlitz and members of the Finance, Revenue and Bonding Committee

Chairman LeBeau and Perone and members of the Commerce Committee...

Good morning. My name is Marcia Leclerc and I am the mayor of East Hartford. I am before you today, to encourage your support of Raised Bill 5465, An Act Concerning the Connecticut Aerospace Reinvestment Act.

As most of you know, East Hartford has been the proud home to Pratt & Whitney since 1929. By the 1940's over 40,000 employees worked on the production of Pratt & Whitney aircraft engines in East Hartford. During this time, the town's open space and farmland developed around the growth of the Pratt & Whitney factory located on Main Street. Pratt production ran three continuous shifts and this boom brought prosperity, neighborhoods were constructed, schools opened, and businesses flourished.

Over the past several decades, even as we have witnessed the dramatic reduction of employees Pratt remains our top employer with over 6,800 employees at the East Hartford facility. UTC has nearly 2,500 direct suppliers across Connecticut, 87 of which are located within our town. This number will grow, as this investment will increase the demand for employees, suppliers, retail, restaurants, hotels, and housing throughout the region.

East Hartford has faced many challenges in recent years since the great recession, and in truth, even prior to that time. As most of us involved in local and state government understand, the burdens of taxes, services, and non-taxable land fall disproportionately on urban and first-ring communities. In East Hartford, we face difficult decisions every budget cycle about what programs we can afford, and those that we just cannot function without. However, we cannot turn our backs on our taxpayers, students, families, those in need of meals, pre-school programs, and the list goes on. We do not have expansive green space readily available and no longer have undeveloped land on which to place new homes, commercial buildings, or factories. Our net grand list remains stagnant at 2.7 billion, while the mill-rate continues to climbs past 45, despite the fiscally responsible budgets we continue to implement on behalf of our residents and businesses.

Investing in Connecticut towns and cities will make us a laboratory for cutting-edge innovations, and fuel urban progress and strengthen communities throughout the state. Let us continue that trend right here, right now, and overcome the challenges of urbanization by being a driving force for economic revitalization.

With towns and cities facing broad challenges every day, their roles as economic drivers become ever more critical to the health of the national economy. As noted by the most recent U.S. Conference of Mayors Metro Economies Report, metro areas generate 90 percent of the nation's GDP and 86 percent of employment. With this expected growth comes an opportunity to ensure that communities are sustainable and thriving in a competitive global environment.

Therefore, when we are presented with a "once-in-a-generation opportunity", as our Governor accurately stated, by UTC proposal of investment in our community, we must act quickly and decisively. We all have the opportunity to be a part of the next chapter in this State's history.

The new 425,000-square-foot Pratt & Whitney headquarters and the 100,000-square-feet of new and renovated research and engineering labs will bring in millions of dollars in revenue not only to East Hartford, but also to the region and state. The expansion will directly result in the creation of temporary and high paying jobs. With this reinvestment comes relief to our grand lists, and in turn, our taxpayers.

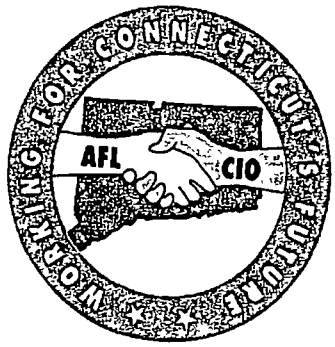
These proposed plans are consistent with East Hartford's Plan of Conservation and Development, as well as the master plan for Rentschler Field, which includes development of the remaining 400-acres for housing, retail, office, and hotel space. I believe this announcement will jump-start development that has been long stalled after the construction of the stadium and Cabela's. Since last week alone, we have responded to several new inquires about development along our Main Street and Silver Lane corridor.

We are grateful for the leadership and vision demonstrated by our Governor, UTC Chairman & CEO Chairman, Louis Chênevert, and Pratt & Whitney President, Paul Adams for their commitment to East Harford, our communities, and the State.

East Hartford supports our Governor as he continues to work with the leaders of UTC and Pratt to tackle the complex challenges facing our state. Now on behalf of the citizens and tax payers of East Hartford, I humbly request your support for this historic legislation that will launch a vibrant and dynamic future for Connecticut. A future that will see reinvestment in our towns and cities, like East Hartford, and create jobs that will strengthen the economy. Please support Raised Bill 5465.

Thank you for your time today.

There is no testimony for page 91. The next page is 92.



Testimony of Lori J. Pelletier,
Executive Secretary-Treasurer of the Connecticut AFLCIO
Before the Finance, Revenue, and Bonding Committee
March 10, 2014

Senator Fonfara and Representative Widlitz and members of the committee I am here to offer testimony on **HB 5465 AN ACT CONCERNING THE CONNECTICUT AEROSPACE REINVESTMENT ACT.**

As a member of the Machinists union for nearly 30 years, I have witnessed many highs and lows in the Aerospace world. When I was first hired at Pratt&Whitney in the mid 1980's there were well over 10,0000 blue collar jobs and growing. Over the next decade those jobs shrunk by 50% and today they are hovering around 2500 which is less than 25% of the total when I got hired.

UTC has done very well for itself over the past thirty years. Former chairman of the board George David earned over a million dollars a week during his tenure. Current CEO Louis Chenevert doesn't need to cut coupons either. So this is the catch 22 we find ourselves in. Do we support legislation which rewards bad behavior because we are so desperate for good paying jobs and ignore the past practice of UTC leaders? Or do we say this is a new day when UTC finally realizes it needs Connecticut and all we have to offer. And by offer not only do I mean the financial incentives but more importantly the skilled work force.

UTC will be investing in a number of new facilities and we have the most highly skilled, financially competitive building trades sector in the country. The bill you passed last year for "Next Generation" at UCONN will provide a pipeline for graduates to find exciting work right here in the nutmeg state which will be welcome news to the communities these young professionals chose to reside in.

There is no testimony for page 93. The next page is 94.

P. 6
Line 2

The investment dollars spent by UTC to upgrade manufacturing as well as assembly and test facilities in East Hartford, Middletown and Windsor Locks will allow for state of the art process and provide those workers to pass their knowledge and skill onto the next generation of machinists.

The Connecticut AFLCIO stands ready to support this legislation, because we believe in will force UTC to put down some solid long term roots in our community which was lacking in previous agreements, and in return our communities will continue to provide UTC with the world class employees it has come accustom to employ.

We do however want to highlight the need for specific commitments in the number of workers in UTC's bargaining units. We need to stop the death by a thousand cuts experienced over the last few decades and keep a solid level of bargaining unit employees right here for years to come.

We also want to highlight the need for investment in our two Aircraft Maintenance programs within our CT Technical High-school System. These programs are in desperate need of upgrades in technology and equipment. We wouldn't expect auto mechanics to learn on a '67 Chevy why would we expect our aircraft mechanics to learn on aviation from the 1960's.

Thank you to this committee and the Governor for the work done to secure good paying aerospace jobs for the next generation of workers and their families, and for investing in Connecticut's future!

Lori J. Pelletier

Executive Secretary-Treasurer

P.6
Line 14

★ ★ ★ ★ ★

UNION BUILDING TRADES
CONNECTICUT TAXPAYERS

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David A Roche

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Steven A. Bruno
Elevator Constructors #91

Executive Council

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Building Trades
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President, Norwich / New London
Building Trades
Keith Brothers

President, Waterbury
Building Trades
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President, Fairfield County
Building Trades
Peter Carroll

★ ★ ★ ★ ★

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ctbuildingtrades@gmail.com

C-128

March 10, 2014

Sen. Fonfara, Rep. Widlitz, Sen. Frantz, Rep. Williams, Sen. LeBeau, Rep. Perone, Rep. Lavielle and members of the Finance and Commerce Committees,

On behalf of the thousands of Buildings Trades members in the state of Connecticut, I stand in support of H.B. 5465.

This bill, if passed, will not only ensure that Pratt & Whitney keep the highly skilled workers who build our military's aircraft engines in Connecticut, but will also give them an opportunity to employ new generations of workers that will follow in the footsteps of their parents and grandparents - who themselves have benefited from long, successful careers as part of the United Technologies family.

This legislation creates endless opportunities, including for small businesses throughout Connecticut that have been producing products for UTC. These companies will continue to grow and hire new generations of skilled workers.

The new and innovative technologies that our state universities and technical schools are training our students in ultimately lead to family sustaining, middle class jobs that keep them here in Connecticut post-graduation.

The facilities that will be built to house these workers will give the Building Trades men and women of Connecticut an opportunity to get back on the job. Our members have seen some of the toughest economic times in the Trades' history. Just months ago, some trades were grappling with unemployment rates as high as 50%. But because of this legislature's investments in Jackson labs and the UCONN towers at the medical center in Farmington, we have started to recover. The opportunity to be a part of Pratt & Whitney's expansion, along with The University of Connecticut's next generation project, could finally stabilize the Building Trades, and bring our unemployment numbers down to pre-recession levels we haven't experienced in over a decade. Further, this investment will give our returning veterans more opportunities to enter a construction career through our Helmets to Hardhats program, and give them direct entry into our training programs.

I started my own career as a Building Trades Sheet Metal Worker in 1979 after completing my apprenticeship program working for a company called Guarantee Service. Guarantee Service had a contract to perform small repair projects throughout the state's United Technologies facilities. Now we may have an opportunity to pass down Guarantee Service's torch to other contracting companies, and to help more apprentices get the on-the-job training they need at an institution so intrinsically connected to this state. And we cannot forget how many of our skilled machinists this opportunity could benefit as well.

I applaud your committees, and the entire legislature, for having taken the necessary steps over the past couple years to get the ball rolling on creating job opportunities through economic development initiatives. And now we can continue to keep it moving by passing this important legislation for the State of Connecticut, and its proud history that will continue with the United Technologies Corporation.

Thank you for your time.

Sincerely,

David A. Roche
President, Connecticut State Building and Construction Trades Council

P. 6
Line 16

Hearing of the Finance and Commerce Committees
Testimony of Dirkson Charles, CEO, The Loar Group
HB5465 An Act Concerning The CT Aerospace Reinvestment Act

Honorable Members of the Finance and Commerce Committees·

Good afternoon. My name is Dirkson Charles, and I am the founder and CEO of the Loar Group. Last year, we acquired a Connecticut company called AGC At the time, I never imagined that we would be given the opportunity to be part of such an important event with regards to Aerospace manufacturing in the State of Connecticut But here I am and I am very pleased to be testifying in support of the CT Aerospace Reinvestment Act

First, AGC has a long proud history in Connecticut – we have been producing precision aerospace components since the 1930's for customers like United Technologies, Pratt & Whitney and Sikorsky Our company is based in Meriden and has over 100 employees Our aerospace components and assemblies are created in a wide range of materials including high-temperature alloys, metal fabrications, and rubber and composite parts

AGC's niche products and manufacturing processes were just part of the reasons why it only took us seven days of diligence to determine that AGC had to be part of our Group. The most important reason was that in spite of the financial difficulties that AGC was in at the time of our acquisition, not one of our customers indicated that they did not view AGC as an essential part of the Connecticut-based aerospace supply chain

As I said, my company, Loar Group, acquired AGC last year. Loar Group consists of a small group of executives, each averaging over 25 years of aerospace experience. We have made four acquisitions in our two-year history because we continue to be excited about the future of aerospace and, with that, being part of the Connecticut aerospace supply chain.

Another reason that AGC was such an attractive acquisition is that Connecticut has a rich talent pool of engineers and aerospace workers We invested in Connecticut when we chose to buy a company here and we have continued to invest since that day. And the agreement announced today proves to us that we were right. With the investments it is making, Connecticut is a true center of excellence for aerospace manufacturing And the CT Aerospace Reinvestment Act will not only help UTC continue to invest in growing its engineering and research development base in the state, but will also help the hundreds of aerospace suppliers across Connecticut, just like my company

It is these relationships with our customers like UTC and Pratt & Whitney that will ultimately guarantee our company's future growth and our home in Connecticut Again I will say it – What is good for UTC is good for us

Pratt & Whitney is heading toward an exciting time in its history, as it ramps up production on its revolutionary PurePower® engine and the F135 engine for the Joint Strike Fighter. And we are proud to be partners for that future

That is why I am happy to be here to support this legislation. UTC and Pratt & Whitney continue to make investments in Connecticut, which ensures that cutting-edge research and development work will be done right here in our state The ability to redeem the tax credits they've already earned to make investments here in

106 Evansville Avenue, Meriden, CT 06451 Phone - (203) 235-3361

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Connecticut will not only benefit UTC, but also all of its Connecticut-based suppliers. I commend UTC and Governor Malloy for crafting this agreement, which will make our state more competitive and create a home for the next generation of engineers and manufacturers. This can only strengthen Connecticut's standing as a center of excellence for aerospace manufacturing.

Thank you

P6
Line 18

Whitcraft LLC

SHEET METAL FABRICATION & MACHINING FOR THE AEROSPACE INDUSTRY

Good afternoon. My name is Colin Cooper and I am the Chief Executive Officer of the Whitcraft Group, a Connecticut based aerospace manufacturing company. Thank you for providing me the opportunity to give you our company's opinion on this historic agreement.

This is not only a terrific agreement for UTC and the state, but also for many of the businesses here in Connecticut who are partners and suppliers of Pratt & Whitney, United Technologies Aerospace Systems, Sikorsky and the other divisions of UTC.

I'd like to start today by telling you that I'm a Connecticut guy. I was born in Hartford, I grew up in New Britain, I live in Glastonbury and our company, the Whitcraft Group, is headquartered in Eastford, CT with additional facilities in Plainville and Farmington.

Whitcraft and its subsidiaries, CT Tool and Dell Manufacturing, produce complex sheet metal fabrications and precision machined parts primarily for the aerospace industry and we sell to customers across North America, Europe and Asia. We build parts and components for some of the most advanced aerospace systems in the world including Pratt & Whitney's F135 and PurePower® engine families, Sikorsky's Blackhawk helicopters and United Technologies Aerospace System's air management systems on the new Boeing 787 Dreamliner. Thanks in large part our relationship with UTC, Whitcraft is able to employ hundreds of skilled Connecticut technicians and engineers

76 COUNTY ROAD
EASTFORD, CT 06242
Phone (860) 974-0786 Fax (860) 974-3705

Since its founding in Eastford in 1960, Whitcraft has been a Connecticut company and although we compete with suppliers worldwide, including suppliers in low cost regions such as Eastern Europe, Mexico and Asia, we remain here in Connecticut because of the skill, knowledge and ability of our workforce and the proximity to our major customers.

Approximately 3 quarters of the content of most jet engines today is manufactured by companies like Whitcraft and the scores of other small aerospace companies that dot the Connecticut landscape. Every week we have UTC engineers in one of our facilities, working with our engineers and technicians to develop critical parts for the next generation programs. UTC benefits by receiving our input on how to design for manufacturability and we benefit by developing experience on these parts before our competitors.

The fact that Pratt and UTC are making such a substantial commitment to Connecticut and they will be increasing their technical footprint here in the state going forward is good news to local small businesses like Whitcraft.

This is an outstanding announcement and one we are happy to be part of. I understand there were some long and spirited negotiations regarding this agreement and I hope to see state leaders take this bill up and pass it. I believe this agreement will provide benefits for the state for years to come.

As Pratt & Whitney transforms the jet engine and leads the aerospace industry with its PurePower® engine family and its position on the F-35 joint strike fighter program, these incentives will help ensure a large portion of this work is done right here in Connecticut.

Thank you.

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P. 7
Line 5

TESTIMONY
BONNIE STEWART
CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION
BEFORE THE
FINANCE, REVENUE AND BONDING AND COMMERCE COMMITTEES
MONDAY, MARCH 10, 2014

Good afternoon. My name is Bonnie Stewart. I am vice president for the Connecticut Business and Industry Association (CBIA). CBIA represents over 10,000 companies in the state ranging from large industrial corporations to small businesses with one or two employees. The vast majority of our members, about 90 percent, are employers with fewer than 50 employees.

CBIA strongly supports and urges the adoption of HB 5465 **An Act Concerning The Connecticut Aerospace Reinvestment Act** This measure, in large part, allows the redeployment of previously earned tax credits into capital investments, thereby enabling United Technologies Corporation (UTC) to invest up to $500 million in the state in the next five years to upgrade and expand its facilities, and invest up to $4 billion in research and development

If HB-5465 is adopted, Connecticut will remain the center of UTC's aerospace R&D activities and the home of Pratt & Whitney and Sikorsky headquarters for many years to come.

This measure not only affects at least 75,000 UTC jobs in the state, but will reverberate throughout Connecticut's aerospace industry—including the nearly 2,500 small businesses that serve as direct suppliers to UTC We anticipate that hundreds, if not thousands, of other Connecticut businesses and jobs will be positively impacted as well as the economic multiplier effect expands

Furthermore, retaining and focusing research and development work in Connecticut will create the opportunity for Connecticut to capture the entrepreneurial and economic spinoffs that typically emerge from such high level research. Research and development is seen as one of Connecticut's competitive advantages and this innovative bill ensures that we will strengthen our position as a leader in aerospace research, development and manufacturing.

HB 5465 does that by permitting the use of tax credits that have already been earned for certain activities performed in the state (such as research and development) but are not able to be claimed. The proposal allows those previously earned credits to be redeployed into an infusion of new capital investment. It transfers the recognition of what a Connecticut company has done to satisfy the state's requirements for earning tax credits—which may only be used in a very limited way—into tangible, forward-looking incentives to invest in major capital projects in Connecticut.

Transforming stranded tax credits into active capital investment is great for Connecticut because it moves the credits from the accounting and tax compliance office into the strategic planning spotlight. Business leaders think prospectively, not retrospectively Because these credits would be made available to offset the cost of major capital projects going forward, they become a highly visible factor in business strategic planning.

The UTC initiative fits perfectly with, and reinforces, the Next Generation initiative to raise the University of Connecticut into the top ranks of public research universities This initiative includes a primary focus on STEM fields in order to create the pipeline of high-quality graduates on which major R&D facilities depend At the same time, the opportunity for top academic researchers to collaborate with a world-leading research center will be an additional draw for the University

In 2010, the University of Connecticut revealed a study showing that if companies were permitted to transform stranded tax credits into active capital investment, and took advantage of this framework, it would have a huge positive impact on the state's economic health

The benefit of HB 5465 to Connecticut and its taxpayers is significant. CBIA urges its adoption.

P. 7
Line 15

ACMT
AdChem Manufacturing
Technologies, Inc.

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Hearing of the Finance and Commerce Committees
Testimony of Michael Polo, CEO/Founder
ACMT, AdChem Manufacturing Technologies, Inc. (celebrating our 28th year)
HB5465 The CT Aerospace Reinvestment Act

Honorable Committee Members,

I am Michael Polo, the CEO and Founder of AdChem Manufacturing Technologies My father and I started our small Aerospace manufacturing company 28 years ago located in Manchester CT.
I grew up in Connecticut manufacturing. My dad, Paul Polo worked at Pratt & Whitney and had a second job at a small Connecticut Aerospace manufacturing company he eventually owned in 1978 and grew from 50 people to 545 people until he sold it in 2004 and came on board with us.

Securing Pratt and UTRC stay local is very important for us and the entire advanced manufacturing supply base for many reasons including but not limited to:

- We work very closely on all new development work
- We address issues locally as they arise
- We team up with other Connecticut manufacturers on product beyond our capabilities
- We advance our manufacturing shop floors with state of the art simulation technologies together.
- We use state of the art White Light inspection technology developed by CCAT
- We have a very bright future with all the new growth engines and military engine platforms
- We collaborate on quality issues and advancements
- Increase technologies together and implement on our shop floors
- Collaborate with UCONN and the local Universities and Community College system
- Use CCAT and CONN-STEP to advance manufacturing principles and capabilities
- Aerospace Components Manufacturers association is 83 Connecticut companies, $2B sales and over 5,000 employees
- We have both paid internships and State accredited apprenticeship programs in place
- Being an OEM direct supplier, we secure and grow our subcontractor base and outside services partners such as heat treat, anodize, plasma spray, FPI, etc
- Work closely with Pratt and Goodwin College on curriculum to train the future Aerospace workforce

Where Pratt (the Original Equipment Manufacturer) goes the supply base goes with them.

So you see, we have in Connecticut all the pieces of the puzzle including CCAT, UCONN, CONN-STEP, ACM, Goodwin College, our Tech High Schools and Colleges which are critical for the growth and sustainment of Aerospace manufacturing to fulfill our vibrant future with collaboration from Pratt and UTC being located here in Connecticut.
For these reasons, I strongly support HB5465, The CT Aerospace Reinvestment Act.

Thank you for your time.
Respectfully,

Michael G Polo
President/Founder

P. 8
Line 4

Pratt & Whitney
400 Main Street
East Hartford, CT 06118

Kristin Kopp-Vaughan Testimony for Joint Commerce & Finance Committee

Monday, March 10, 2014

HB5465 AN ACT CONCERNING THE CT AEROSPACE REINVESTMENT ACT

Good morning! My name is Dr. Kristin Vaughan and I am a combustion engineer at Pratt & Whitney.

During my 2 years at Pratt and Whitney I have been focused on advanced combustor R&D. I am part of a group of engineers that is developing an engine that produces a large amount of electricity with extremely low emission output. I have also started applying these skills to advanced flight engine technology to assure the cleanest, most innovative, and most dependable engines come from Pratt and Whitney in Connecticut.

To give you an idea of my background, I went to high school in Connecticut and I initially chose to leave the state for college because I believed there were more opportunities in STEM employment fields elsewhere.

After some research, I realized that not only did Connecticut have a healthy manufacturing base, but it also had a strong-hold in aerospace research and development, which was what I really wanted to do.

I transferred back in state and earned my undergraduate degree in physics at Central Connecticut State University and my PhD in mechanical engineering in combustion science at the University of Connecticut.

Soon after I started my PhD program at UCONN I started to work with Pratt & Whitney. As a student there is nothing like being able to talk, share and learn with people from a company that is so close. You learn so much more face to face than over the phone. The ideas and innovations seem to flow more freely when people are in a room together.

Before graduating, I was offered a position at Pratt & Whitney with the combustion engineers that helped guide me through my time at UCONN.

I was excited to work at Pratt & Whitney because of the relationships that I had formed. I really wanted to work with the people there and to tackle the tough combustion challenges that lay before us together.

When I heard the announcement I was inspired. This new facility will allow my colleagues and me to further expand on the complex R&D we already perform here.

This announcement demonstrates the value the State of Connecticut and UTC have in developing the next generation of engineers and state of the art research.

We want to keep bringing the best people to the best companies. New investment in facilities tells my generation that we are here, current, and innovative.

I am proud to say that I work for a company that is investing in their engineering talent and fosters the next generation of aerospace innovators. Should this decision be made it would only re-affirm my choice to live and work in Connecticut.

Tony Cacace | P. 9 Line 14 Steven Hayes | P. 9 Line 15

GKN AEROSPACE

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Joint Hearing of the Finance, Revenue and Bonding and Commerce Committees
HB5465, An Act Concerning The CT Aerospace Reinvestment Act

Testimony of Tony Cacace and Steven Hayse from GKN Aerospace
March 10, 2014

Senator Fonfara, Representative Widlitz, Senator LeBeau, Representative Perone and the Honorable members of the Finance Revenue and Bonding and Commerce Committees:

Thank you for giving us the opportunity to testify in support of House Bill 5465, An Act Concerning the Connecticut Aerospace Reinvestment Act. My name is Tony Cacace. I have 47 years of experience in the aerospace industry. I am the former President and founder of GKN Aerospace Services, Structures Corp in Cromwell, Connecticut, and currently serve as Executive Vice President of Technology and New Business Development for GKN Aerospace. With me is Steven Hayse, who has 29 years of experience in the aerospace industry. Steven is the former Vice President of Engineering and officer for GKN Aerospace Services Structures Corp, in Cromwell, Connecticut, and is currently the Principal Technologist for GKN at the Cromwell site.

Both Steven and I were instrumental in establishing GKN Structures Corporation to develop and manufacture highly advanced composites for jet engines and airframes, making and maintaining Pratt and Whitney as a satisfied customer. By integrating Pratt & Whitney design and GKN manufacturing, the Integrated Product Development Team (or IPDT) process and collaborative research and development are credited with that success. Enhancing that same approach will be a benefit to Connecticut and local businesses and communities.

In our opinion, the CT Aerospace Reinvestment Act will have the following benefits:

- Enhanced IPDT capability, which will lead to posturing CT companies to become more competitive
- Give our students ability to work in CT and help local manufacturers
- Higher technology applications for UCONN science with CCAT applied technology to give UTC cutting edge capabilities
- Research and development will create the future of CT's position in a global competitive environment
- The beginning renaissance in the aerospace industry presents an opportunity for the State of CT to be a leader in innovations in technology and product applications

Thank you.

Tony Cacace
Exec VP of Technology
GKN Cromwell

Steven Hayse
Principal Technologist
GKN Cromwell

P-10
Line 7

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March 10, 2014

Finance, Revenue and Bonding Committee
Room 3700, Legislative Office Building
Hartford, CT 06106

Testimony on HB 5465- AN ACT CONCERNING THE CONNECTICUT AEROSPACE REINVESTMENT ACT.

Larry McHugh, President, Middlesex County Chamber of Commerce

Good Morning Senator Fonfara, Representative Widlitz and Members of the Committee:

I appear before you this morning to offer the support of the Middlesex County Chamber of Commerce for HB 5465- AN ACT CONCERNING THE CONNECTICUT AEROSPACE REINVESTMENT ACT.

The Middlesex Chamber has over 2,350 members that employ over 50,000 people. Our Executive Committee voted unanimously to support the agreement between United Technologies and the State of Connecticut, at its March 3rd meeting.

This agreement is great news for Middlesex County and for the State of Connecticut. It ensures that UTC will remain anchored in our state, and that Connecticut will continue to be a world leader in the aerospace field. Pratt & Whitney's Middletown Engine Center is a major employer in the city of Middletown and in Middlesex County. This deal provides stability and is major boost for our state's economy.

I applaud Governor Malloy and UTC Chairman and CEO Louis Chênevert for their vision, their leadership, and their commitment to Connecticut. This agreement is not only important for Pratt & Whitney, Sikorsky, UTC Aerospace Systems, and UTC Building and Industrial Systems, but for the many local suppliers that support thousands of jobs. The impact this deal will have on thousands of small and medium sized Connecticut companies cannot be understated.

In addition to serving as President of the Chamber, I am honored to also serve as Chairman of the Board of Trustees for the University of Connecticut. This agreement fits in perfectly with UCONN's strategic initiatives for the future, including a focus on science, technology, engineering and math through Next Generation Connecticut. This agreement will lead to terrific employment opportunities for Connecticut's best and brightest students.

I want to close by reiterating the support of the Middlesex County Chamber of Commerce for HB 5465. Thank you for the opportunity to testify on this important topic.

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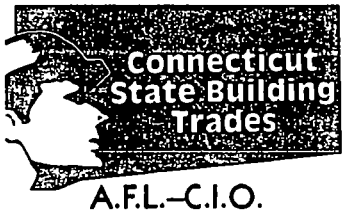
http://www.middlesexchamber.com • Email: info@middlesexchamber.com
Awards Governor's Laurel Award for Responsible Social Involvement, President's White House Citation for Private Sector Initiatives
U S Department of Labor LIFT America Award, Connecticut Small Business Advocate Award, Vision 2000 Excellence Award
NAACP Business Award

P. 10
Line 9

Greater Hartford-New Britain Building & Construction Trades Council

Affiliated with the



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March 10, 2014

To Finance Committee Co-Chairs: Senator John Fonfara & Representative Patricia Widlitz.
To Commerce Committee Co-Chairs: Senator Gary LeBeau & Representative Chris Perone

On behalf of the thousands of Men and Women of the Greater Hartford-New Britain Building Trades Council and its 14 affiliated Unions; we stand in support of the tax relief legislation proposed in regards to the UTC Expansion. With 500 million dollars going into expansion and construction in the next 5 years, it will have a very positive impact on a Industry that has suffered over 20% unemployment for the past 5 years.

These projects would put hundreds of our Members to work and provide economic stimulus to Connecticut through expendable income and tax dollars.

This is just the type of stimulus that Connecticut needs, Construction, Manufacturing, Research, it has all the components of success. With UTC expected to invest up to 4 billion dollars in research and capital expenditures in the State and an impact on more than 75,000 jobs, we must support this proposal.

This is the time for Connecticut to once again re-establish itself as a place of positive economic growth. A State to move to and not to move away from.

Sincerely,

Peter E. Reilly,
President of the Greater Hartford – New Britain Building Trades Council

PER/pc

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March 10, 2014

Commerce Committee

Senator Gary LeBeau
Representative Chris Perone
Senator L. Scott Frantz
Representative Gail Lavielle

Finance, Revenue & Bonding Committee

Senator John Fonfara
Representative Patricia Widlitz
Senator L. Scott Frantz
Representative Sean Williams

Ladies and Gentlemen.

The MetroHartford Alliance serves as the Region's economic development leader and the City's Chamber of Commerce. Our investors include businesses of all sizes, health care providers, institutions of higher education, and the Region's municipalities. Our mission is to ensure that the Region competes aggressively and successfully for jobs, capital, and talent so that it thrives as one of the country's premier places for all people to live, work, play, and raise a family.

I write to express the Alliance's strong support of HB 5465: An Act Concerning the Connecticut Aerospace Reinvestment Act. The passage of the HB 5465 is critical to the implementation of a significant set of economic actions proposed to be taken by United Technologies Corporation ("UTC"), the State's largest private sector employer and an international leader in the aerospace industry.

As announced last week by UTC Chairman and CEO Louis Chênevert in concert with Governor Dannel Malloy, UTC plans to invest up to $500 million to upgrade and expand its aerospace research, development, and manufacturing facilities in Connecticut over the next five years It also expects to invest up to $4 billion in its major operating entities: Pratt & Whitney, Sikorsky, UTC Aerospace Systems, and the United Technologies Research Center.

As importantly, under UTC's agreement with the State related to the proposal, UTC is incented to maintain and increase its current Connecticut employment levels, thereby ensuring stability for those working at UTC today and for those who will join its workforce over the next several years. These current and future UTC jobs provide compensation and benefits well above those of the average Connecticut position and, as significantly, strengthen the prospects for UTC's 2,500 Connecticut suppliers and their employees. In addition, the proposed investments and commitments will enhance UTC's ability to continue to attract some of the world's best scientific talent, individuals who are critical to sustaining UTC's leadership in aerospace innovation.

We also note that UTC's proposed investments and commitments will enable it to continue its critical leadership on a wide range of civic initiatives that underpin Connecticut's quality of life. UTC's monetary support of numerous arts, education, health care, and social services organizations, coupled with the volunteer support provided by its thousands of employees to those organizations, enable these invaluable entities to perform at the highest levels for the benefit of Connecticut residents and visitors.

For all of these reasons, we urge the Legislature to pass HB 5465 and forward it to the Governor for his signature. Please call me at 860-728-2277 if you have any questions or require additional information. We thank you for your consideration

Sincerely,

Frantz, and Representative Williams -- somewhere -- and members of the committee.

When the Secretary began, he said he was going to be brief and look forward to your questions; I'm actually going to drone on and then try to avoid your questions, if at all possible.

A VOICE: (Inaudible.)

COMMISSIONER KEVIN SULLIVAN: Thank you, Senator.

Thank you, Senator.

REP. WIDLITZ: Thank you for the warning.

COMMISSIONER KEVIN SULLIVAN: Before getting to the three bills that were requested and are on your hearing thanks to you today that were requested by the department, let me just take a moment to testify briefly on a couple of other proposals. One of which you heard Monday so please bear with me for just a second and it was 5465, the Aerospace Reinvestment Act. I just want to say -- because we did not testify at that hearing -- but from a tax department standpoint, this is an incredibly creative and effective way to handle what we've been trying to figure out for a very long time what to do with those stranded R&D credits so I commend it to your attention. If you have any doubt at any point about it, look at the return on investment that the State will be getting for the dollars that will be given to the companies, in this case, compared to the investment, as well as the jobs, as well as, frankly, the revenue that will flow to the state as a result of economic growth.

HB5465
SB28
SB369
HB5466
SB390

And the other thing that I know you noted is that wonderful chart. There is not a community in this state, big or small, that will not, in

some fashion, benefit from that particular proposal that the Governor has put in front of you.

This bill that is in front of you -- Secretary Barnes testified on already -- SB 28, REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET, I think it's a measure of how far Connecticut has come in just four years that you are able to be here having the beginnings of a discussion about how to give money back to taxpayers. And that's a good thing. I'm sure there will be differences of opinion about how to do that, but that's essentially what this bill does. We have, through your diligence, through the Governor's leadership, reached a point where we are able to give a dividend for those difficult decisions back to the taxpayers of Connecticut, and that is good news.

The Governor's proposed tax refund is, in my mind, whether it is stimulus or how much stimulus, it is certainly a dividend. And when you have a chance to give a dividend back to the people who make state government possible, it is a good idea if it occurs in a context, like this one, where you have made the decisions that make it possible for you to do this. It's not always been the case in the past.

Reversing the taxation of over-the-counter medications is good tax policy, good economic policy, good health policy, and I'm glad to say that it also has bipartisan support so that one ought to be very simple.

The proposed treatment of teacher pensions not only addresses the inequity that was discussed by Senator LeBeau, but another inequity and, that is, you will recall that we differentially

P3
L22

FINANCE, REVENUE & BONDING COMMITTEE
PUBLIC HEARING
MARCH 13, 2014

TESTIMONY OF COMMISSIONER KEVIN B. SULLIVAN
DEPARTMENT OF REVENUE SERVICES (DRS)

Good morning and thank you for this opportunity to testify in support of our agency initiatives for this session.

Before getting to the three bills requested by DRS, let me comment briefly on some other proposals we have worked on with Governor Malloy:

HB 5465 - **AAC the Connecticut Aerospace Reinvestment Act.** From a tax standpoint, this is a creative and effective way to make stranded R&D tax credits work even harder for Connecticut. As you know from your hearing earlier this week, this initiative takes investment credits already earned and leverages them for additional reinvestment by a lead global business that will continue to grow here, at home in Connecticut. Probably every single community in this state will benefit from the jobs, supply chain and innovation that HB 5465 assures.

SB 28 - **AAC Revenue Items to Implement the Governor's Budget.** Connecticut has come a long way in less than four years. Rather than deficits and tax increases, Governor Malloy's singular focus on fiscal stabilization and the tough decisions made by this committee are why Connecticut is now in a position to share the benefits with our taxpayers. Governor Malloy's proposed tax refund is one of those taxpayer dividends. Reversing the taxation of over-the-counter medications is good tax policy, good economic policy and good health policy that already has bipartisan support. The proposed treatment of teacher pensions will address a longstanding inequity. And the proposed changes to the Angel Investor tax credit will help realize the full potential of this economic investment tool. HB 5466

SB 390

This brings me to the three agency bills that we thank the committee for raising:

SB 369 - **AAC Changes to the Department of Revenue Services Statutes.**

Sections 1 and 2 actually grow out of *your* initiatives last session to focus on sales tax delinquencies and our February report on sales tax collection initiatives. For all the reasons we shared with you at the time, the specific pilot program enacted last session proved unworkable and unnecessary. While the facts seem to elude at least one of the vendors out there, truth is that no federal taxing jurisdiction is even considering that approach But your legislation did challenge us to do better and we have:

- By no longer renewing tax permits for delinquent taxpayers, hundreds of taxpayers are coming into compliance, remaining in compliance because of conditional renewals and paying what will continue for several years to be $3-5 million annually in back taxes
- Section 1 of SB 369 will give us another tool by allowing periodic publication of businesses in the state known to be operating without tax permits.
- Section 2, developed in consultation with the Connecticut Retail Merchants Association, will expedite all collections in line with other states and put delinquent taxpayers on a weekly electronic filing discipline using the existing DRS Taxpayer Service Center (TSC).

Section 3, based on successful experience in North Carolina and developed in consultation with the Connecticut Banker's Association, will be fairer to taxpayers, improve collection and reduce costs for financial institutions and DRS. Rather than the current process that requires full execution of a warrant before even determining if assets are available, this legislation will permit banks to screen accounts before DRS determines whether to proceed with collection.