

# **COMMISSION ON CONNECTICUT'S LEADERSHIP IN CORPORATION AND BUSINESS LAW**



**A Report to the Connecticut General Assembly**

**Submitted Pursuant to Public Act 14-89 Sec. 50**

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**REPORT OF THE COMMISSION ON CONNECTICUT'S  
LEADERSHIP IN CORPORATION AND BUSINESS LAW  
ESTABLISHED UNDER PUBLIC ACT 14-89**

*October 1, 2015*

The Commission was created to recommend measures that can be implemented over the next ten years to attract businesses to form and maintain their significant operations in the state of Connecticut. Its mandate includes examining the laws and institutions of Delaware, New York and other states, and recommending changes to Connecticut's business, tax and judiciary laws, the operation of the Office of the Secretary of the State, and other functions. This report presents the Commission's findings and recommendations.

**I. EXECUTIVE SUMMARY.**

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The Commission's members include representatives of the state's legislative, executive and judicial branches, as well as representatives of the private bar. After the majority of its members were appointed, the Commission met essentially monthly. Six working groups were formed to address specific components of its mandate – Business Law, Judiciary Law, Tax Law, Social Enterprise Law, Office of the Secretary of the State, and Economic Development. The working groups met as often as needed between the monthly sessions to address developments in their areas.

In addition, the Commission consulted with the State Tax Panel and received presentations from Connecticut Business & Industry Association ("CBIA") representatives of large corporations and of limited liability companies and from the Connecticut Hedge Fund Association. The Commission also solicited comment on topics as appropriate from the Office of the Attorney General, the state Department of Banking, the Connecticut Bar Association, the Hartford County Bar Association, the University of Connecticut School of Law, Yale University Law School, the Committee on Corporate Laws of the American Bar Association Business Law Section, counsel to the Commercial Division Advisory Committee of the Council on Judicial Administration of The Association of the Bar of the City of New York, the Connecticut Chapter of the Association of Corporate Counsel, and Connecticut Innovations, a quasi-public agency whose mission is to stimulate entrepreneurship in the state.<sup>1</sup>

After 12 months of investigation, analysis and discussion, the Commission recommends:

- Continuing to base the Connecticut Business Corporation Act ("CBCA") upon the American Bar Association's Model Business Corporation Act ("MBCA").
- Making changes to the CBCA with respect to:
  - Retroactively validating corporate actions, as Delaware has recently done by statute;

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<sup>1</sup> The Commission also thanks Adam Skowera, Judiciary Committee Clerk and Legislative Aide at the Connecticut General Assembly, for his invaluable contributions to its work.



- Permitting advance renunciation of business opportunities in the certificate of incorporation of a Connecticut corporation and related changes;
- Permitting medium form mergers;
- Authorizing Connecticut corporations to adopt bylaw provisions requiring disputes regarding the internal affairs of Connecticut corporations to be brought in Connecticut; and
- Adopting changes that have been adopted in the MBCA but not yet adopted in the CBCA, including updating the CBCA general standards for directors and providing for standards of liability for directors.
- Updating the Connecticut Nonstock Corporation Act.
- Updating and revising the Connecticut limited liability statutes patterned after the Revised Uniform Limited Liability Company Act (“RULLCA”).
- Evaluating whether it is feasible and desirable to:
  - Add nonstock corporations to the type of entities which may utilize the Connecticut Entity Transaction Act;
  - Provide for non-profit limited liability companies (“LLCs”);
  - Permit series LLC interests;
  - Adopt one or more statutes that would impede non-meritorious litigation in Connecticut involving mergers and acquisitions; and
  - Codify rules relating to successor liability in connection with sales of assets by Connecticut entities.
- Evaluating whether to authorize Connecticut corporations, by contract, to extend the period in which suit may be brought beyond the applicable statute of limitations, as is permitted by statute in Delaware.
- Establishing a state Business Law Center, preferably at the University of Connecticut School of Law, whose goal will be to enhance the state’s business reputation by focusing on the MBCA (which Connecticut and many other states look to for developments in corporate legislation), Connecticut’s limited liability company law (as the vast majority of businesses formed in the state are LLCs), Social Enterprise Law and such other areas related to corporate law as are deemed appropriate.
- Evaluating the volume of shareholder and other corporate disputes which have recently been commenced in the state’s courts.
- Considering whether the Complex Litigation Docket should be refined in any way to further accommodate shareholder and other corporate disputes.

- Considering legislation to create special master-type positions to assist in administering shareholder and other corporate disputes.
- Creating a task force to focus on the areas of the Complex Litigation Docket and shareholder and other corporate litigation.
- Adopting a Connecticut analogue to the Rapid Arbitration Act, which was this year adopted in Delaware.
- Continuing the evaluation of the state’s tax legislation and the results of the CBIA survey of businesses in the state on taxation matters by the State Tax Panel and Commissioner Sullivan’s Office.
- Aligning state tax policy with the stated objectives of Connecticut’s Strategic Plan of Economic Development.
- Attaching a Business Impact Fiscal Note to proposed legislation that would have a cost or revenue impact on businesses in the state.
- Establishing the state as the national leader in Social Enterprise Law through continuing to improve existing social enterprise statutes; publicizing the Connecticut Benefit Corporation Act; pursuing policy initiatives; enacting a comprehensive plan to make it easier for social entrepreneurs to do business in Connecticut and attractive for businesses outside of Connecticut to incorporate or organize their businesses using the state’s Benefit Corporation Act; and encouraging investment in these new types of businesses.
- Enhancing the capacity of the Office of the Secretary of the State (“SOTS”) as follows:
  - Implementing technological and staffing changes to enable greater usage levels of the SOTS’s electronic resources.
  - Increasing SOTS staffing to facilitate expanded hours and increased volumes of work.
  - Considering an easing of the rules requiring permanent storage of paper records.
  - Continuing to work to implement document scanning technology with online access to document images.
  - Enhancing data collection and customer-centric access to data.
  - Creating a “one-stop” capability through the SOTS for companies incorporating in the state whereby they easily understand what additional permits or licenses may be required for their operation.
- Considering structural reform to the General Assembly’s Joint Rules to update the definition of the Commerce Committee and its mission and to create a budget writing

committee merging the functions of the current Finance, Revenue and Bonding Committee and the current Appropriations Committee.

These recommendations are more fully presented in the sections that follow. Consistent with the Commission's mandate, the recommendations are intended to be implemented as soon as practicable and no later than October 1, 2025.

## **II. RECOMMENDATIONS BASED UPON THE BUSINESS LAW WORKING GROUP'S EXAMINATION OF STATUTORY CHANGES AND TOPICS MERITING FURTHER CONSIDERATION.**

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The Business Law Working Group ("BLWG") has examined Delaware law, proposed changes to the laws of Delaware and other states, and the existing and proposed changes to the MBCA to which Connecticut and many other states have historically looked for guidance. The BLWG prepared a chart comparing Delaware and Connecticut corporate law, attached as Exhibit 1.

The BLWG has also pursued the Commission's mandates with the appropriate leaders of the Connecticut Bar Association and those involved with drafting changes to the MBCA, and the Association of the Bar of the City of New York for further ideas. The recommendations that the BLWG received from the Corporations Committee of the Connecticut Bar Association are attached as Exhibit 2. The BLWG's interim report, dated February 25, 2015, is attached as Exhibit 3.

As a result of the BLWG's work, the Commission recommends:

- That the corporate statutes of Connecticut continue to be patterned after the MBCA and that Connecticut continue to review, evaluate and, as deemed appropriate, enact amendments to the CBCA that are adopted and published as part of the MBCA.
- That the following changes be made to the CBCA to conform to the MBCA, on which the CBCA is based:
  - Enact changes that have been adopted in the MBCA but not yet approved in Connecticut:
    - Update CBCA section 33-756 regarding general standards for directors to conform to MBCA section 8.30; and
    - Adopt a new CBCA section that would be the equivalent of section 8.31 of the MBCA to provide standards of liability for directors;
  - Enact changes to the MBCA that are expected to be adopted in the MBCA in the foreseeable future:
    - Adopt a provision permitting corporations to retroactively validate corporate actions, as Delaware has recently done by statute;

- Adopt a provision permitting advance renunciation of business opportunities in the certificate of incorporation of a Connecticut corporation and related changes; and
  - Adopt a provision permitting medium form mergers, as Delaware has recently done by statute.
- That the Connecticut Nonstock Corporation Act be updated.
- That the CBCA be amended to authorize Connecticut corporations to adopt bylaw or certificate of incorporation provisions requiring disputes regarding the internal affairs of Connecticut corporations to be brought in Connecticut, as permitted in Delaware by statute and case law.
- That the state study and evaluate whether it is desirable, and if so, feasible to adopt one or more statutes that would impede non-meritorious litigation in Connecticut involving mergers and acquisitions.
- That the state study and evaluate whether it is desirable, and if so, feasible to codify rules relating to successor liability in connection with sales of assets by Connecticut entities.
- That the Connecticut limited liability statutes be updated and revised based upon the Revised Uniform Limited Liability Company Act, in accordance with the contemplated proposal of the Connecticut Bar Association to the General Assembly during the 2016 session.
- That the state study and evaluate whether it is desirable, and if so, feasible to add nonstock corporations to the type of entities which may utilize the Connecticut Entity Transaction Act; to provide for non-profit limited liability companies; and to permit series limited liability company interests.

The Commission also recommends that the state study whether to authorize Connecticut corporations, by contract, to extend the period in which suit may be brought beyond the applicable statute of limitations (as is now permitted by statute in Delaware).

The BLWG considered at length the adoption of “fee shifting” legislation. It closely followed the debate on this subject in Delaware and considered the views expressed by experts at the American Bar Association. The BLWG ultimately decided against recommending such legislation for Connecticut for the reasons set forth in Exhibit 4.

Finally, the Commission recommends that a state Business Law Center be established, preferably at the University of Connecticut School of Law, along the guidance provided in Exhibit 5.

### **III. RECOMMENDATIONS BASED UPON THE JUDICIARY WORKING GROUP'S EXAMINATION OF DISPUTE RESOLUTION INSTITUTIONS AND PROCEDURES IN DELAWARE, NEW YORK AND CONNECTICUT.**

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Pursuant to the Commission's mandate, the Judiciary Working Group ("JWG") examined innovations being implemented or considered for the Delaware Court of Chancery, the Commercial Division of the Supreme Court of the State of New York, and other jurisdictions. The JWG also studied the rules and procedures governing business disputes in the Connecticut Superior Court's Complex Litigation Docket, and it examined the historical caseload of shareholder and other corporate disputes on the Complex Litigation Docket. The JWG received valuable assistance in this effort from the Judicial Branch and, in particular, the Office of the Chief Court Administrator, and other members of bar.

In response to the Commission's mandate to examine specifically the courts of Delaware, the JWG has identified significant structural differences between the courts of Connecticut and Delaware. These include the following.

- Connecticut has a unified court system; Delaware does not. This structural difference has two significant consequences:
  - First, Connecticut judges are necessarily generalists whose appointments and assignments do not depend on expertise in one particular area of law.
  - Second, the creation of a court of limited jurisdiction like Delaware's Court of Chancery would conflict with the judicial policy that Connecticut has followed for many years.
- Relatedly, the JWG discovered that there is a misconception that Delaware's Chancery Courts are its business courts. This is incorrect in two respects:
  - First, only a quarter of the Delaware Court of Chancery's work involves corporate disputes. The majority of its cases involve trust and estates, probate and guardianship matters.
  - Second, the Delaware Court of Chancery is not the only Delaware trial-level court that decides business disputes. The Delaware Superior Court also handles business litigation.
- Each of Delaware's courts (Supreme Court, Chancery Court, Superior Court, etc.) must be politically balanced, *i.e.*, each court must be equally divided between the political parties with neither party having a majority of more than one. Connecticut has no such rule.

- Connecticut judges are nominated by the Governor and appointed by the General Assembly. This means that voters have a stronger say in the political composition of courts in Connecticut than they do in Delaware.
- Although Delaware's rule creates a perception of balance, imposing that rule in Connecticut would conflict with longstanding tradition, could be seen as undemocratic and would likely require a constitutional amendment.
- Delaware only has one appellate court – the Delaware Supreme Court. In contrast, Connecticut has two tiers of appellate courts established by the Connecticut Constitution – the Supreme Court and the Appellate Court.
  - In Delaware, appeals from all courts go directly to the Delaware Supreme Court.
  - In Connecticut, the only matters that go directly to the Supreme Court do so based on the state constitution, based on a specific statute or based on the discretionary decision of the Supreme Court to take up a matter as a direct appeal.
  - Connecticut created the Appellate Court by constitutional amendment thirty three years ago. The Appellate Court has been an effective way to protect appellate rights while avoiding a significant case backlog in the Supreme Court. Although a two-tier court system is appealing for businesses because of its speed, the JWG does not believe that eliminating the Appellate Court would be wise or feasible in Connecticut.
- Delaware does not have a mandatory retirement age for judges. Connecticut judges must retire at age 70.
  - As a consequence of Connecticut's retirement age and its post-retirement benefit rules, Connecticut would face efficiency and budgetary challenges if it pursued a strategy of recruiting leading practitioners in shareholder, merger & acquisition and corporate governance matters to join the judiciary late in their careers.
- Connecticut implemented its Complex Litigation Docket approximately 15 years ago, while Delaware just recently instituted a complex litigation docket.

The JWG has also examined the perception that corporate entities prefer to have their shareholder and significant corporate disputes resolved in Delaware. It has concluded that it is not reasonable for Connecticut to seek to supplant the Delaware Chancery Court as the pre-eminent forum for resolving all types of corporate disputes for the following reasons:

- Delaware is widely perceived as the leading U.S. jurisdiction in which to incorporate, meaning that an overwhelming majority of significant companies are already Delaware entities.

- Delaware has more corporations than people.
- 75% of all Fortune 500 companies are incorporated in Delaware, and 75% of all new incorporations occur in Delaware.
- Delaware's governmental structure is recognized as facilitating incorporation. For example, the Delaware Secretary of State's Office is open until midnight each weeknight, and a new entity can incorporate in Delaware in an hour.
- Cottage industries already exist to support corporations electing to incorporate in Delaware. For example, one Delaware building is the legal address for more than 285,000 separate corporations.
- Delaware is widely perceived as maintaining business-friendly laws and a business-friendly tax structure.
  - It has been reported that the "Delaware Loophole" has enabled Delaware corporations to reduce taxes they would otherwise have paid to other states by approximately \$9.5 billion between 1992-2012.
- The Delaware Chancery Court has a longstanding reputation for predictability and stability in its rulings. In particular:
  - The Delaware Chancery Court places a heavy emphasis on the principle of *stare decisis*, meaning that the court today will follow the holdings of earlier cases that address the same issue.
  - The Delaware Chancery Court has a body of case law addressing a wide variety of shareholder and other corporate issues that goes back almost one hundred years.
  - The Delaware Chancery Court is known as a strong proponent of the business judgment rule. This means that Delaware courts will seldom second-guess the decisions of company leaders about what is in the best interests of shareholders.
- Delaware has a reputation for fostering a corporate-oriented culture, and its Chancery Court (and long history of decisions involving corporate governance and transactions) is frequently mentioned as a reason businesses decide to form in Delaware. To its credit, Connecticut courts also handle business litigation (including mergers and acquisitions) well and in a timely and fair manner. At the same time, Connecticut is perceived as also being strongly consumer-oriented as the result of the fact that much of the legislation in

Connecticut is of that nature. This more complex reputation magnifies the challenge of convincing corporations that Connecticut will be a pro-business jurisdiction. It is also a significant obstacle in convincing legislators and voters that Connecticut ought to be.

- Other states are already vying to be an alternative to Delaware. Connecticut would not only have an uphill battle to supplant Delaware's leadership but would also have to compete and win against the other states.

Recognizing the challenges Connecticut would face in seeking to supplant Delaware as the premier jurisdiction for resolving all types of business disputes is not meant to detract from the importance of the Commission's many recommendations designed to make Connecticut a more business-friendly jurisdiction. And the JWG has considered strategies for encouraging business entities to resolve their disputes in Connecticut. The strategies considered include:

- Connecticut could key on a few specific areas of corporate litigation in which Delaware is not already dominant, such as LLC governance, and seek to attract litigation in those fields and others in which Delaware's reputation is strong, such as mergers and acquisitions.
- However, there has been a lack of consensus on this topic in the following respects:
  - Some have expressed the view that a separate "docket" for such matters should be created. Others believe that Connecticut's existing Complex Litigation Docket could capably hear these cases.
  - There is significant doubt about whether there will be sufficient litigation in these areas to warrant creating specialized treatment for these disputes.
  - There is a debate whether parties would agree to a forum selection clause establishing venue in Connecticut courts without any jurisdictional ties to this state. The question has also been raised whether, absent jurisdictional ties, Connecticut law would permit its courts to decide these cases.
- Connecticut could create "special master" positions and fill them with well-respected corporate lawyers looking to serve their communities as their careers come to a close. The state could use the reputations and ties these practitioners have built to convince litigants that Connecticut courts have the expertise and bandwidth to adjudicate sophisticated corporate disputes. The relevant considerations include:
  - The existing and future ability of Complex Litigation judges to handle such matters.



- The amount of funding needed, and whether funding could be obtained for these positions given current economic conditions and budgetary pressures in the state.
- Whether highly qualified practitioners in these areas (who typically are in their prime earning years and highly compensated) would be attracted to such positions given the severe reduction in compensation they might incur.
- Whether any senior attorneys who are willing to serve would be subject to the state’s mandatory retirement age within a few years of appointment, recognizing that such late-career appointments have met with criticism in the legislature in recent years.

An alternative to the creation of “special master” positions would be the recruitment of volunteer special masters, on a case by case basis, to assist in the handling and disposition of matters assigned to the Complex Litigation Docket. This approach has been used, on occasion, in Complex Litigation Docket cases as well as some federal district court matters.

The JWG also examined possible changes to the Complex Litigation Docket. The issues considered included:

- The levels of staffing and support for the Complex Litigation Docket;
- The desirability of altering the jurisdiction of the Complex Litigation Docket, such as by imposing an “amount in dispute” requirement or by assigning certain categories of cases to the Complex Litigation Docket automatically;
- The length of the term for which judges are assigned to the Complex Litigation Docket;
- The time between filing and resolution of cases on the Complex Litigation Docket;
- The venues in which judges on the Complex Litigation Docket sit; and
- The desirability of imposing special procedural rules to govern cases on the Complex Litigation Docket.

The JWG received extensive assistance in this work from the Office of the Chief Court Administrator, which shared information about measures considered and implemented in the past as well as feedback from judges presently and formerly assigned to the Complex Litigation Docket.

The JWG also considered the report of the Task Force on the Commercial Division of the Supreme Court of the State of New York. This report suggested the use of an ongoing task force to monitor and make recommendations; the expansion of the governor’s powers to appoint more judges to the Commercial Division; recommendations to transactional lawyers to recommend

New York forum selection clauses; and the implementation of specialized expedited case management procedures which are attractive to foreign parties.

Ultimately, the Commission is not recommending any changes to the Complex Litigation Docket based upon the JWG's work. The Commission acknowledges that the Office of the Chief Court Administrator continues to monitor the Complex Litigation Docket and continues to consider feedback from judges, litigants, members of the bar and the judicial branch's Civil Rules Committee. Nevertheless, the Commission recommends the creation of a task force, comprised of bar association representatives and attorneys who have had matters assigned to Connecticut's Complex Litigation Docket, dedicated to providing input to the Chief Court Administrator regarding the Complex Litigation Docket.

Finally, the JWG examined the Delaware Rapid Arbitration Act, which was adopted this year (attached as Exhibit 6). The JWG debated before the Commission the desirability of enacting similar legislation in Connecticut.

Connecticut's provisions for contractually agreed upon arbitration are found at Conn. Gen. Stat. § 52-408 through and including Conn. Gen. Stat. § 52-424. They are consistent with the laws of many other states regarding support for and enforcement of arbitration awards. Connecticut also has statutory authority for nonbinding arbitration for cases involving \$50,000 or less in dispute.

The Commission concluded that, while there were doubts about the Delaware Rapid Arbitration Act's effectiveness, it is more beneficial than not. The Commission therefore recommends that an appropriate version be implemented in Connecticut.

#### **IV. RECOMMENDATIONS BASED UPON THE TAX WORKING GROUP'S EXAMINATION OF STATE TAX REGIMES IN CONNECTICUT AND IN COMPETING JURISDICTIONS.**

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The Commission did not have the benefit of a corporate tax attorney until the end of its term. Further, the Commission's mandate with respect to tax matters overlapped with the mandate of the State Tax Panel, whose consideration of tax changes has only just begun. Nevertheless, because the Tax Working Group ("TWG") was tasked with examining the impact of state corporation, franchise and other business taxes on Connecticut businesses, TWG members met with tax law professors Diana Leyden and Richard Pomp from the University of Connecticut School of Law, as well as Commissioner Kevin Sullivan of the Connecticut Department of Revenue Services to gain insight on these issues.

The broad consensus derived from those conversations is that Connecticut's franchise and corporation business taxes are competitive, but the state's property tax regime could be altered to make Connecticut more business friendly. Additionally, though not a direct business tax, personal income tax in the state has grown. Many new businesses are forming as LLCs – which are pass-through entities for personal income tax purposes – and the state therefore cannot ignore the effect that the state's high level of taxation for individuals has on the business climate.

From the table on the following page, it is clear that Connecticut has several areas where it lags behind other states.

	<b>Overall Rank</b>	<b>Corporate Tax Rank</b>	<b>Individual Income Tax Rank</b>	<b>Sales Tax Rank</b>	<b>Unemployment Insurance Tax Rank</b>	<b>Property Tax Rank</b>
<b>Connecticut</b>	42	32	34	31	20	49
<b>Delaware</b>	14	50	33	1	2	13
<b>Massachusetts</b>	24	37	13	21	48	45
<b>New York</b>	49	20	49	40	31	46

Source: 2015 Tax Foundation’s *State Business Tax Climate Index*

Commissioner Sullivan pointed out that a legislatively appointed study is now underway to determine the best ways to make the state’s tax system more competitive. Since adjusting one tax has implications for all others, it makes sense to view this effort holistically. The CBIA performed a full business survey and included the TWG’s questions on this topic to garner information directly from state-wide businesses.

Representatives from the CBIA presented on state corporate tax policy issues at the Commission’s May 15, 2015 meeting. The presenters were Sandy Coombes, Senior Tax Director, Aetna; Harry Im, State Tax Counsel, United Technologies Corporation; Stephen LaRosa, Senior Director, State & Local Tax, Alexion Pharmaceuticals, Inc.; and Gerard Maher, Tax Director, Boehringer Ingelheim. Attached as Exhibit 7 is a copy of their PowerPoint Presentation, titled “Connecticut Corporate Taxes Overview & Guiding Principles.”

Representatives from the CBIA presented on state tax policy issues relating to limited liability companies at the Commission’s September 30, 2015 meeting. The presenters were Alan Lieberman, Partner, Shipman & Goodwin LLP; Patrick Duffany, Partner, CohnReznick LLP; and Douglas Joseph, Partner, Blum, Shapiro & Company. Attached as Exhibit 8 is a copy of their PowerPoint Presentation, titled “Pass-Through Entity Taxation in Connecticut.”

In addition, the TWG monitored proposed legislation in the General Assembly that related to business taxation, and it established a liaison to the State Tax Panel to ensure that there was no duplication of effort.

As a result of the TWG’s efforts, the Commission makes the following two major tax policy recommendations.

**1. Align State Tax Policy with the Stated Objectives of Connecticut’s Strategic Plan of Economic Development.**

It is the consensus of this Commission that to promote economic competitiveness as compared to other jurisdictions, Connecticut’s tax policy needs to project a clear set of guiding principles and be relevant to today’s economy. Coherent and stable tax policy encourages business location, retention, and growth that provides jobs, stimulates economic activity and strengthens our state and local tax base.

To that end, the Commission recommends that, to the extent possible, the development of each two-year state budget be aligned with the mission and stated objectives included in the Department of Economic and Community Development’s four-year “Strategic Plan of Economic

Development.” A copy of the present Strategic Plan is attached as Exhibit 9. A majority of the Commission’s members endorse the Strategic Plan.

***Background:***

In 2012, Governor Dannel P. Malloy, by Executive Order No. 17, established The Business Tax Task Force. As part of its mission, the Task Force was charged with evaluating the cost, benefit, efficiency, effectiveness and measurable performance of the current tax structure with respect to economic development, business retention and growth, and employment retention and growth.

In its Report, dated September 27, 2012, the Task Force concluded that:

- Connecticut’s business tax policy is cumulative, legacy-based, revenue-driven, insufficiently aligned with economic policy, and inadequately reflects the emergent marketplace (global, mobile, virtual, contingent employment, intangible goods and services).
- Business tax incentives are insufficiently aligned with state economic policy, encourage interstate and intrastate “tax shopping” and are disconnected from state budgeting, and could be even more important economic development tools.
- To the extent that the annual legislative process continuously raises tax or tax policy questions, discussions and revisions, the result can be unsettled business expectations that undermine a positive business climate.

The May 15, 2015 CBIA panel presentation on corporate tax policy to the Commission echoed these concerns. The panel noted that, in Connecticut today, there are inherent differences between the ways the state builds a budget and businesses build strategic plans. The panel’s consensus was that businesses need stable state policies to guide their decisions and actions.

The panel urged the development of a sound tax policy that will:

- Shape revenue decisions;
- Ease revenue insufficiency and volatility;
- Foster a predictable and growing business climate;
- Make investment and location decisions easier; and
- Maintain competitiveness for the state.

In Connecticut, the Department of Economic and Community Development (“DECD”) is charged with developing Connecticut’s economic development strategy. Its mission is to develop and implement strategies to increase the state’s economic competitiveness. In developing the strategy, the DECD’s stated objectives are to:

- Invest in the business clusters that drive Connecticut’s economy and encourage entrepreneurial development;
- Ensure a workforce that meets the needs of employers;
- Create sustainable communities; and
- Invest in infrastructure and support systems that will foster business growth.

By statute (Conn. Gen. Stat. § 32-1o) the Commissioner must prepare a “Strategic Plan of Economic Development” every four years. The most recent plan was issued in July 2015. The next plan is anticipated in 2018. In preparing each iteration of the plan, the DECD:

- Reviews and evaluates the state’s labor market;
- Reviews and analyzes the extent to which the state’s infrastructure, education systems, regulatory structure, technology sector and emerging technologies, health care delivery and costs and affordable housing supply affect the state’s economic growth; and
- Specifies clear and measurable economic development goals and objectives for the state and its regions, and metrics to monitor progress.

The carefully considered plan resulting from this process provides a sensible foundation from which tax policy priorities and decisions can be made.

**2. Attach a Business Impact Fiscal Note to Proposed Legislation that Would Have a Cost or Revenue Impact on Businesses in the State.**

The Commission recommends that the State Office of Fiscal Analysis attach a Business Impact Fiscal Note to all proposed legislation that would have a direct cost or revenue impact on businesses in the state. The fiscal note should include an estimate of the number of businesses that would be subject to the bill’s provisions and the projected cost of compliance to businesses, including reporting, recordkeeping and administrative costs. Requiring this fiscal note will promote fair, efficient and cost effective administration and foster compliance with tax and regulatory legislative mandates.

**3. Additional State Tax Analysis and Recommendations.**

The Commission’s final meeting was held on September 30, 2015. After that meeting, Commission member Dan Smolnik – a lawyer practicing in the areas of business and tax law who was appointed late in the Commission’s term in response to the Commission’s request for additional tax-related expertise – prepared an analysis of tax revenue, tax volatility and gross state product in Connecticut, Massachusetts, New Jersey and Delaware. The TWG and other members of the Commission provided comments. The product of this effort is reflected in a memorandum that is attached as Exhibit 10.

The CBIA provided written comments on Mr. Smolnik’s memorandum through its legal counsel Bonnie Stewart and Louise DiCocco. These written comments are attached as Exhibit 11.

Because the Commission received Mr. Smolnik’s memorandum and the CBIA’s written comments after its final meeting, the Commission never had an opportunity to discuss them as a group. The Commission members agree, however, that these thoughtful products should be included as exhibits to this report. Tax issues are critically important to the vitality of the business community in Connecticut. Moreover, the Commission is aware that the legislature and other organizations are continually reviewing Connecticut tax policy. The Commission hopes that the analyses it received from Mr. Smolnik and the CBIA will be useful in the continued study and improvement of tax policy in our state.

**V. RECOMMENDATIONS BASED UPON THE SOCIAL ENTERPRISE LAW WORKING GROUP’S INVESTIGATION OF THE OPPORTUNITY TO LEAD THE NATION IN SOCIAL ENTERPRISE LAW.**

The field of social enterprise law, non-existent just eight years ago, has exploded over the past four years. Over 30 states have adopted some form of new legal entity specifically for social entrepreneurs – individuals who create a positive social or environmental impact in addition to generating profits. The trend of creating legal entities for social entrepreneurs shows no sign of stopping. In 2015 alone, it is expected that at least fourteen states will consider legislation regarding the establishment of a benefit corporation as a new legal entity, which is currently the most popular form of social enterprise legal entity in the United States.

While many states have passed legislation enabling these new legal entities for social enterprises, no state that has taken up the mantle as the go-to state for attorneys and entrepreneurs incorporating their social enterprise businesses, in the way that Delaware has become for corporations, and Nevada and Colorado have become attractive for other types of entities. This lack of leadership in the social enterprise law space presents an opportunity for Connecticut, which has one of the most, if not *the* most, comprehensive benefit corporation statutes in the U.S.

Attached as Exhibit 12 is a report outlining the Social Enterprise Law Working Group’s policy proposals to make the state a national leader in social enterprise law. The Commission recommends that the state pursue these policy recommendations and prioritize becoming the national leader in social enterprise law.

**VI. RECOMMENDATIONS BASED UPON THE SECRETARY OF THE STATE WORKING GROUP’S CONSIDERATION OF WAYS TO IMPROVE SERVICE TO CONNECTICUT BUSINESSES.**

The Commission’s mandate includes consideration of ways in which the Secretary of the State’s Office can further attract businesses to form and remain in the state. Consistent with this directive, the SOTS working group has compared its operations with those of Delaware and other states. Attached as Exhibit 13 is a presentation that the Commission received on these issues from Seth Klaskin, Director of the SOTS’s Business Services Division.

Through its work, the SOTS working group has identified resource enhancements and changes in administrative structure which would increase its ability to service businesses more promptly. As a result of the SOTS working group’s efforts, the Commission recommends that the state implement the following enhancements to SOTS’s resources and capabilities:

- Highly Reliable Automation – SOTS is presently one of many agencies occupying a sector of the state mainframe hosted by DAS-BEST. The agency’s administrative functions are externally limited by capacity, processing speed and user volume issues that cause unproductive down time and interference with crucial online customer services. SOTS would require an off-system small mainframe or its own large, scalable server bank to ensure maximum performance and system availability. This would also require professional-level IT staffing. Otherwise, SOTS would require priority load-balance response and guaranteed resources on the enterprise system hosted by the state, and at far greater usage levels than are presently accessed.
- Substantial Staffing Increases – perhaps two shifts and/or a satellite branch operation and expanded hours of operation, plus staffing resources to absorb higher volumes of work.
- Substantially Enhanced Funding – to cover all costs associated with the items in this list. The General Assembly should also consider reintroducing the SOTS non-lapsing fund.
- Potential Easing of Records Retention Rules Regarding Permanent Storage of Records – Many states permit records to be kept electronically, so long as they are legible and kept in records management systems with built-in multiple redundancies. SOTS presently contracts with archive vendors to keep original paper records in air conditioned environments, which would become unduly burdensome and costly at higher volumes.
- Implementation of Document Scanning Technology with Customer Access to Document Images Online. SOTS is presently working toward this goal and should be supported in these efforts.
- Enhanced Data Collection and Customer-Centric Access to Data – To offer a full array of business-friendly services, SOTS could provide a vital state function as a repository of reliable statistical data on business and commerce within the state.
- Enhanced Managerial Oversight – SOTS would need to elevate management of the operation to a Chief Level Manager and three standalone divisions (Business Filings Division, UCC Filings Division and Data Collection and Dissemination Division).

**VII. RECOMMENDATIONS BASED UPON THE ECONOMIC DEVELOPMENT WORKING GROUP’S CONSIDERATION OF MEASURES TO STIMULATE GROWTH AND INNOVATION.**

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Starting with the current “Strategic Plan of Economic Development,” which was issued in July 2015, the Economic Development Working Group (“EDWG”) investigated what is needed to make Connecticut an attractive location for corporate operations. The EDWG consulted with businesses, the CBIA, Connecticut Innovations and a leading patent firm in the state (Cantor Colburn) about what challenges or opportunities are provided by Connecticut’s legal framework and existing code.

Members of the EDWG reviewed the 2015 Connecticut Economic Development Strategic Plan in order to inform the Commission and align the state with the Department of Economic and Community Development (“DECD”) Plan. The Department’s expressed mission is to develop and implement strategies to increase the state’s economic competitiveness. Several of the Plan’s strategies are outlined below, and the full strategic plan can be found in Exhibit 9:

- Continue to support the growth of Connecticut businesses, with a special focus on the clusters with the greatest potential: the healthcare/bioscience, financial services/insurance, and manufacturing sectors. Because these three sectors account for 35% of the state’s total GDP, policy goals should protect and enhance these industries.
- Use financial and technical resources to assist companies from startup phase through maturity. DECD and Connecticut Innovations, a quasi-governmental organization committed to providing strategic and operational insight to companies, have created an ecosystem support effort called CTNext. CTNext offers experienced entrepreneurs-in-residence whose job is to coach new business owners and connect them to all the resources they need. CTNext offers services including IT coder training and IT talent to help build products, mentors, coworking spaces, maker spaces to build prototypes, university connections, and connections to capital.
- On the capital side, provide support for nearly every stage of growth for a developing company. Financial assistance awards and programs include the CTNext Entrepreneur Innovation Awards, Connecticut Business Incubator network grants, CI Preseed Program, DECD Small Business Express, CI Equity, and DECD Manufacturing Assistance Act.
- Build and maintain a workforce that meets the needs of employers. In order to address the challenges of building and maintaining a high quality workforce, the state has significantly invested in a partnership among educational institutions, training delivery systems, and industries. A sustained commitment to initiatives such as the Manufacturing Innovation Fund, the Connecticut Early College Opportunities program, and support for STE(A)M (science, technology, engineering, arts, and mathematics) education will help build a skilled workforce that meets the immediate and long term needs of employers.
- Invest in the state’s creative economy and arts infrastructure to advance the attractiveness and competitiveness of Connecticut cities, towns, and villages, as meaningful communities in which to live, work, learn, and visit. Support for creative enterprises through DECD grants and technical support help to enhance each community’s competitive edge, bridge the social and economic divides, and contribute to the development and retention of a creative workforce.
- Ensure the presence of affordable and workforce housing, particularly in and around transportation networks.
- Invest in the infrastructure and support systems that will foster business growth. Included in this investment are initiatives to increase speed, access, and frequency of rail transportation within Connecticut and between the state and other major regional hubs, to widen existing interstate highways, to build additional upgrades to Bradley International Airport, and to improve rail, bike and walk-ways and other modes of transport.



- Promote “smart growth,” which includes sustainable development, brownfield redevelopment, historical preservation and renovation, and transit-oriented development to help communities attract businesses and workers. These policies and approaches to land-use planning, transportation, housing, environment, and human needs should be integrated into strategy and action plans in a way that makes them integral to future economic activity.
- Partner with other government agencies like the Department of Energy and Environmental Protection to execute policies aimed at increasing energy efficiency, lowering emissions from electricity production, and reducing overall energy costs.

The EDWG believes this lays a strong foundation for economic development, and a majority of the Commission endorses the “Strategic Plan of Economic Development” and urges the state to follow it. However, several suggestions not included in the state’s Economic Strategic Plan also arose.

- It was suggested, and the Commission recommends, that the Legislature and the Department of Banking promptly develop a statutory and regulatory framework for equity crowdfunding that is competitive with those provided in other progressive states and complements the SEC’s proposed amendments affecting small “intrastate” offerings when and as adopted. Nearly 30 other states have enacted legislation to facilitate crowdfunding, under the intrastate offering exemption as established by the Securities and Exchange Commission. The SEC has recently finalized “Regulation Crowdfunding.” It has also proposed new regulations that would broaden the “safe harbor” available to intrastate offerings and therefore make retail crowdfunding more realistically available for start-ups. Providing an equity crowdfunding framework in Connecticut would give start-ups another channel for seeking capital and would build Connecticut’s credibility as a state that is welcoming to new and innovative businesses. Further analysis of this issue is included in Exhibit 14.
- Members of the EDWG also considered and debated before the full Commission whether to propose legislation prohibiting the use of non-competition clauses to restrain employees from departing existing employers for new ones, as they may be perceived as a damper on entrepreneurial activity and frequently result in litigation. California is known for its policy against non-compete agreements – it typically will not enforce them except where they arise from the sale of equity in a business, where a partner agrees not to compete in anticipation of dissolution of a partnership or LLC, or where the non-compete is necessary to protect trade secrets. The statutory basis is California Business and Professions Code Section 16600, which provides that “every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void.” The exceptions for the sale of equity and dissolution of a partnership are also statutory (CBPC 16601, 16602 and 16602.5). The trade secret exception comes from caselaw.

Other Commission members, including the members of the BLWG, believe that restricting non-compete agreements in Connecticut would have a significant adverse effect on business in Connecticut because people forming and funding businesses that

would benefit from the ability to enforce non-compete agreements would simply create their businesses in other states in which they could. The fact that California is able to have such a prohibition is not necessarily indicative of how it would work in Connecticut, as California has a concentration of entrepreneurs, venture capital and engineers (and an absence of other, similar states within close geographic proximity) that Connecticut does not have.

The CBIA also expressed concerns about restricting non-compete agreements in Connecticut. Its position on this issue is attached as Exhibit 15.

In light of the strong divergence of views on this issue, the Commission did not take a position on whether the General Assembly should consider statutory restrictions on non-compete agreements.

- Members of the EDWG also recommend completing a study aimed toward streamlining regulation of small businesses to foster entrepreneurship, such as giving startup businesses a simple, one-stop process for launching that would make it easier than going through multiple agencies to obtain permits and licenses. Further, some suggested that all fees and taxes be waived for the first two years of a company's life. Focusing this initiative on certain sectors which the state wishes to foster, such as bioscience and engineering, with tax and regulatory relief, could fuel innovation and small business growth in these sectors.
- The EDWG recommends doing even more work with major research centers (e.g. Yale University, University of Connecticut, and Jackson Labs) to encourage and incentivize spinoffs, including adoption of similar policies, hiring appropriate personnel, and quicker decision making and paperwork processing.
- Members of the EDWG also considered and debated before the full Commission whether to propose legislation with respect to Economic Development Zones and it was resolved not to propose any policy-changing legislation at this time.

## **VIII. OTHER RECOMMENDATIONS ARISING FROM THE COMMISSION'S WORK.**

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It was identified during the Commission's work that the confidence of businesses in the state could be enhanced by two structural changes to the Connecticut General Assembly's joint rules.

First, the Commission recommends broadening the scope of the Commerce Committee's cognizance. The current joint rules do not provide a specific place where concerns of the business community can be brought for discussion. Certain businesses fall within the cognizance of the committees on Banking, Energy and Technology, Insurance and Real Estate, and General Law (for matters that deal with alcohol, fair trade and sales practices, etc.). But the practices of these committees have been historically weighted towards regulation rather than promotion of these areas of business.

The Commerce Committee is focused on economic development. But the Commerce Committee's cognizance is limited in scope. Since the Commerce Committee was initiated in 1989, its cognizance has been defined as follows:

A committee on COMMERCE that shall have cognizance of all matters relating to the Department of Economic and Community Development and Connecticut Innovations, Incorporated.

The Commission proposes that the General Assembly add the following language its joint rules after the word "relating to":

Business, commerce, economic development and economic competitiveness, including, but not limited to, manufacturing, information technology, bioscience, emerging technologies and markets, international trade and all matters relating to state agencies and quasi-public agencies concerned with fostering economic development.

With these changes the cognizance of the committee would then read:

A committee on COMMERCE that shall have cognizance of all matters relating to business, commerce, economic development and economic competitiveness, including, but not limited to, manufacturing, information technology, bioscience, emerging technologies and markets, international trade and all matters relating to state agencies and quasi-public agencies concerned with fostering economic development.

Second, the Commission recommends that the General Assembly create a single budget writing committee merging the functions of the current Finance, Revenue and Bonding Committee and the current Appropriations Committee. The Commission believes that giving a single commission the authority to raise revenue and control spending will foster the creation and implementation of clearer, more coherent and more consistent taxation and spending policies. This, in turn, will increase the business community's confidence that Connecticut is a sensible place in which to make long-term investments.

## **IX. CONCLUSION.**

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Supplanting Delaware as the leading venue to incorporate and litigate shareholder and corporate disputes is a significant challenge. Connecticut should not expect that any strategic plan can turn it into the next Delaware in ten years. But the Commission believes that its work can deliver value to Connecticut residents and businesses. Even if Connecticut does not supplant Delaware, it can follow the recommendations presented in this Report to become a better place for businesses to form themselves, conduct their business and resolve their disputes, which should lead to new jobs, innovation, increased tax revenues and better products for Connecticut consumers.

Respectfully Submitted,

Christopher P. (Kip) Hall  
*Chairman*

**Exhibit 1:**  
**CT-DE Comparison Chart**

**CORPORATION AND BUSINESS LAWS**  
**OF DELAWARE AND CONNECTICUT:**  
**COMPARISON CHART**

**A. INTRODUCTION**

The Commission on Connecticut's Leadership in Corporation and Business Law has been tasked by the state legislature with reviewing the Connecticut corporation and business laws and comparing them with those of Delaware (and New York) with the purpose of issuing a report by October of 2015 recommending ways to attract and retain Connecticut businesses. To that end, this chart provides a starting point for reviewing and analyzing key distinctions between the corporation and business statutes of Connecticut and Delaware.<sup>1</sup> It also looks at the Model Business Corporation Act, after which the Connecticut corporate statutes have been modeled.

**B. KEY DISTINCTIONS**

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
<b>Derivative Actions: Mandatory Demand</b>	A written demand is required before a shareholder may commence a derivative action. CBCA sec. 33-722.	No mandatory demand statute.	MBCA sec. 7.42 requires that a demand be served on the corporation at least 90 days before a derivative suit can be commenced, unless irreparable injury to the corporation would	<ul style="list-style-type: none"> <li>• A statute requiring demand makes it easier to defeat derivative litigation because plaintiff shareholders cannot bring frivolous suits alleging demand futility. They must make a demand on the Board.</li> <li>• See the discussion under the topic "Derivative Suits" in "Some</li> </ul>

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<sup>1</sup> This is a working draft and the current content of this chart is tentative. It has not yet been thoroughly researched or vetted for accuracy.

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
			result.	Comparisons Between the Model Business Corporation Act and the Delaware General Corporation Law”, by Michael P. Dooley and Michael D. Goldman, 56 The Business Lawyer 737, 745 (2001).
<b>Director/Officer Jurisdiction</b>	None.	DGCL sec. 3114 provides that nonresident directors, trustees, members of the governing body, or officers are statutorily deemed to have consented to service of process in the state.	None.	This kind of statute is very important because it expressly makes the state of incorporation a place where suits can be brought against D&Os, reducing expenses caused by litigation over jurisdiction issues.
<b>Forum provisions</b>	None.	In <i>Boilermakers Local 154 Ret. Fund v. Chevron Corp.</i> , exclusive forum provisions were expressly upheld in stockholder litigation in Delaware Courts. 73 A.3d 934 (Del. Ch. 2013).	None.	<ul style="list-style-type: none"> <li>• We might consider codifying the holding in <i>Boilermakers</i> that BODS may adopt bylaws requiring that disputes brought by shareholders re the internal affairs of the corporation must be brought exclusively in the corporation’s domicile.</li> <li>• See comment re: Fee Shifting below for an article discussing exclusive forum provisions.</li> </ul>
<b>Books and records</b>	• CBCA sec. 946	DGCL sec. Section 220	MBCA secs. 16.02-	“States may or may not expressly

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
<b>demands</b>	<p>gives a shareholder the right to inspect and copy books and records upon a signed written notice of his demand at least five business days before the date on which he wishes to inspect and copy, provided that the demand is made in good faith for a proper purpose.</p> <ul style="list-style-type: none"> <li>• CBCA sec. 33-948 discusses court-ordered inspection and provides in section 33-948(b), relating to applications to the superior court for an order to permit inspection and copying of records, that</li> </ul>	<p>provides for shareholders' access to books and records of a corporation, and in some cases, its subsidiary, if they show a "proper purpose," such as mismanagement. If the corporation refuses to permit an inspection sought by a stockholder or does not reply to the demand within 5 business, the stockholder may apply to the Court of Chancery for an order to compel such inspection. 220 cases move at a quicker pace than standard litigation. The documents plaintiffs receive are to be used to draft better complaints than normal "strike" suits. ("Because proceedings under Section 220(c) are limited to the narrow purpose of enforcing the stockholder's inspection rights, and because the</p>	<p>16.04 provide the model for the CBCA provisions on books and records demands.</p>	<p>allow access to the books and records of wholly-owned subsidiaries of the company, may differ in terms of the scope of books and records that must be provided to the shareholder, or may require different prerequisites the individual shareholder must meet before he can gain access to such books and records. These differences reflect the varying decisions legislatures have made about how difficult or easy it should be for shareholders to access corporate books and records. States with few barriers to shareholder access seem more concerned with the ability of shareholders to protect their economic investment and hold corporate managers accountable. On the other hand, those states imposing additional barriers to shareholder access may be more focused on permitting corporations to govern themselves to the greatest extent possible without judicial or shareholder interference. In other words, the legislatures in these jurisdictions must balance the competing interests of managerial authority and managerial</p>



Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
	<p>“[t]he court shall dispose of an application under this subsection on an expedited basis.” If the court orders inspection and copying of the records demanded, then the corporation must pay the shareholder's expenses incurred to obtain the order unless the corporation proves that it refused inspection in good faith. See CBCA secs. 33-946 through 33-950.</p> <ul style="list-style-type: none"> <li>• CBCA</li> </ul>	<p>Delaware Supreme Court has said that such proceedings ‘should be managed expeditiously,’ they can often be resolved within a few months.”<sup>2)</sup></p>		<p>accountability. However, the differences among the various statutes are, for the most part, not very significant, and many are in fact guided by the codification of, and remedies for violation of, inspection rights provided in the MBCA.”<sup>3</sup></p>

<sup>2</sup> See [http://www.gelaw.com/wp-content/uploads/2011/05/2010\\_Books\\_and\\_Records.pdf](http://www.gelaw.com/wp-content/uploads/2011/05/2010_Books_and_Records.pdf)

<sup>3</sup> See <http://students.law.drake.edu/lawReview/docs/lrIssueCurrent-Jeffries.pdf>

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
	substantially follows MBCA secs. 16.02-16.04.			
<b>Exculpation/Indemnification</b>	<ul style="list-style-type: none"> <li>• CBCA sec. 33-636(b)(4) permits the certificate of incorporation of a Connecticut corporation to contain a provision limiting the personal liability of directors and sets forth exclusions from exculpation.</li> <li>• CBCA section 33-636(b)(5) permits a certificate of incorporation to also include broadened indemnification provisions for</li> </ul>	<ul style="list-style-type: none"> <li>• DGCL sec. 102(b)(7) permits the certificate of incorporation to exculpate directors from liability for damages for breaches of duty of care. Only directors are currently protected, but there is discussion about officers being included too.</li> <li>• DGCL sec. 145 gives a corporation the power to indemnify officers and directors/employees for lawful actions taken in good faith which were reasonably believed to be in the best</li> </ul>	<ul style="list-style-type: none"> <li>• MBCA sec. 2.02(b)(4) authorizes the inclusion in the articles of incorporation of a provision eliminating or limiting, with certain exceptions, the liability of directors to the corporation or its shareholders.</li> <li>• Section 2.02(b)(5) permits indemnification of a director to the same extent that the director's</li> </ul>	<p>“A prominent distinction separating Delaware’s indemnification statute from that of many other states is that Delaware does not require a director, officer, or other individual to be ‘wholly successful’ in the defense of an action. Instead, a Delaware corporation must indemnify such an individual to the extent that the person has been successful.”<sup>4</sup></p>

<sup>4</sup> See <http://trace.tennessee.edu/cgi/viewcontent.cgi?article=1075&context=transactions>

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
	<p>directors.</p> <ul style="list-style-type: none"> <li>• CBCA 33-770 <i>et seq.</i> mandates indemnification for directors and officers who were “wholly successful” in their defense, and gives a corporation permissible power to indemnify officers, directors/employees for actions taken in good faith which were reasonably believed to be in the best interest of the corporation, and provided he had no reason to believe his conduct was unlawful.</li> </ul>	<p>interest of the corporation. It mandates indemnification for officers and directors “to the extent that [he] has been successful on the merits.”</p>	<p>liability can be limited under section 2.02(b)(4).</p> <ul style="list-style-type: none"> <li>• The Model Act was amended to clarify that this broadened indemnification can be extended to officers. A comparable change to section 33-776 of the CBCA is part of the legislative package being submitted to the legislature this year.</li> </ul>	
<b>Fee shifting</b>	None.	<ul style="list-style-type: none"> <li>• In <i>ATP Tour, Inc. et</i></li> </ul>	None.	At least one article indicates that

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
		<p><i>al. v. Deutscher Tennis Bund et al.</i>, the Delaware Supreme Court (sitting en banc) held that a Delaware corporate bylaw that requires a losing claimant to pay the legal fees and expenses of the defendants is not invalid per se, and if otherwise enforceable can be enforced against losing claimants whether or not they were already stockholders when the bylaw provision was adopted. This case involved a non-stock, member corporation, but the analysis should have</p>		<p>there has been opposition to fee shifting from proxy advisors.<sup>5</sup></p>

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<sup>5</sup> See [http://www.kayescholar.com/news/client\\_alerts/20141218-corporate-alert-2015-proxy-season-should-companies-propose-exclusive-forum-and-fee-shifting-charter-amendments-at-their-2015-annual-shareholder-meetings/res/id=sa\\_File1/Corporate%20Alert\\_2015%20Proxy%20Season\\_Should%20Companies%20Propose%20Exclusive%20Forum%20and%20Fee-Shifting%20Charter%20Amendments.pdf](http://www.kayescholar.com/news/client_alerts/20141218-corporate-alert-2015-proxy-season-should-companies-propose-exclusive-forum-and-fee-shifting-charter-amendments-at-their-2015-annual-shareholder-meetings/res/id=sa_File1/Corporate%20Alert_2015%20Proxy%20Season_Should%20Companies%20Propose%20Exclusive%20Forum%20and%20Fee-Shifting%20Charter%20Amendments.pdf)

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
		<p>equal application to general corporations. 91 A.3d 554 (Del. May 8, 2014).</p> <ul style="list-style-type: none"> <li>The Delaware State Bar Association asked Legislature to preclude adoption of such a bylaw by a general corporation, but corporations opposed and the proposal was tabled for 2015.</li> </ul>		
<b>Statute of limitations</b>	Connecticut provides for a 6 year statute of limitations for breach of contract. CGL sec. 52-576.	The DGCL was recently amended to dispense with the need for a corporate seal to extend the statute of limitations by contract for up to 20 years.	None.	None.
<b>Director Standards/Business Judgment Rule</b>	CBCA sec. 33-756 provides that a director shall discharge his duties as a director, including his duties as a member of a committee: (1) In	Under DE common law, “A board of directors enjoys a presumption of sound business judgment, and its decisions will not be disturbed if they can be attributed to any rational	<ul style="list-style-type: none"> <li>The Model Act contains section 8.31 on “Standards of Liability for Directors”. The Model Act has also</li> </ul>	If the Commission is interested in pursuing this topic, it would entail revising section 33-756, “General standards for directors” along the lines of the current Model Act section 8.30 and adopting a new CBCA section that would be the equivalent of section 8.31 of the

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
	<p>good faith; (2) with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and (3) in a manner he reasonably believes to be in the best interests of the corporation. A director is not liable for any action taken as a director, or any failure to take any action, if he performed the duties of his office in compliance with this standard of conduct.</p>	<p>business purpose. A court under such circumstances will not substitute its own notions of what is or is not sound business judgment." <i>Sinclair Oil Corporation v. Levien</i>, Del. Supr., 280 A.2d 717, 720 (1971). "Plaintiffs can overcome the presumption of the business judgment rule by pleading facts with particularity that suggest the directors were uninformed or their actions were so far beyond the bounds of reasonable judgment that it seems inexplicable on any ground other than bad faith."<sup>6</sup></p>	<p>updated the "Standards of Conduct for Directors" section in 8.30.</p> <ul style="list-style-type: none"> <li>• There is a very good discussion of this subject under the topic "Standards of Director Conduct and Liability" in the Dooley/Goldman article at page 742. The article states that "Although section 8.31 had no statutory precedent at the time it was adopted, it is based upon an essentially codified well-established common law</li> </ul>	<p>Model Act.</p>

<sup>6</sup> See <http://media.mofo.com/files/Uploads/Images/110706-Developing-Theory-Good-Faith-DenULRev-2005.pdf>

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
			<p>principles relating to both substantive and procedural aspects of director liability.”</p> <ul style="list-style-type: none"> <li>• There also is an extensive discussion of this subject in the official comment to section 8.31 of the Model Act, which was circulated.</li> <li>• The Connecticut Bar Association and the business community worked to have both of these changes adopted in Connecticut, shortly after they were adopted in the</li> </ul>	

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
			Model Act, but there was opposition to the changes and they did not make it through the legislature.	
<b>Advance Renunciation of Business Opportunities</b>	None.	DGCL sec. 122(17) permits a corporation to renounce in advance, either in its certificate of incorporation or by action of the board of directors, any interest in specific corporate opportunities or classes or categories of corporate opportunities. Section 122(17) in effect permits a corporation to limit the scope of the opportunities to which it lays claim, even in advance of those opportunities actually arising.	The ABA Committee on Corporate Laws approved an amendment to Sections 2.02 and 8.70 of the MBCA to incorporate provisions allowing corporations to include in their articles of incorporation a provision renouncing any, or one or more classes, of corporate opportunities with respect to directors and, following further approving action by the board of directors, with	According to the MBCA official comments, “such provision may be useful, for example, in the context of a private equity investor that wishes to have a nominee on the board but conditions its investment on an advance limitation or elimination of the corporate opportunity doctrine because of the uncertainty over the application of the corporate opportunity doctrine inherent when investments are made in multiple enterprises in particular industries. Another example is in the setting of a joint venture in corporate form where the participants in the joint venture want to be sure that the corporate opportunity doctrine would not apply to their activities outside the joint venture.”



Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
			respect to officers.	
<b>Advances of Fees and Expenses</b>	CBCA sec. 33-756 requires that a director or officer seeking advancement of fees provide a written affirmation that he or she has met the applicable standards for indemnification	DE does not require an affirmation in connection with advance of expenses.	<ul style="list-style-type: none"> <li>The ABA Committee on Corporate Laws approved an amendment to Sections 8.53 and 8.54 of the MBCA to eliminate the requirement that a director or officer seeking advancement provide a written affirmation that he or she has met the applicable standards for indemnification under the Model Act, or, in the case of a director, that the proceeding involves conduct for which liability has been eliminated under the articles of</li> </ul>	<ul style="list-style-type: none"> <li>The ABA Committee recognized in amending the MBCA that “there is a range of viewpoints on whether to require a written affirmation in connection with advancement. For example, those who believe an affirmation should not be statutorily required point out that advances to pay legal expenses are typically requested during the early stages of a proceeding, when few facts underlying a claim are available to either the corporation or the individual seeking advancement, raising the question of the value provided by the affirmation. Also, directors and officers who expect advancement to be available face the risk, under the current provision, that a corporation obligated to advance such individual’s legal expenses (whether pursuant to a provision in its articles of incorporation or bylaws, a resolution adopted by the board or shareholders, or a contract approved by the board or shareholders) will challenge an</li> </ul>

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
			<p>incorporation.</p> <ul style="list-style-type: none"> <li>• The amendments do not, however, eliminate a corporation's ability to require such an affirmation.</li> <li>• Section 8.53 will continue to require that a director or officer seeking advancement provide a written undertaking to repay funds advanced if it is ultimately determined that such individual is not entitled to indemnification.</li> </ul>	<p>affirmation in order to deny advancement. Related to that risk is the phenomenon of "mini-trials" under section 8.54 concerning entitlement to advancement. Such preliminary proceedings often result in duplicative litigation, since they address many of the issues involved in the underlying proceedings; strain judicial resources; and may place undue pressure on a director or officer with limited financial resources.</p> <ul style="list-style-type: none"> <li>• Accordingly, the Committee is recommending amendments to section 8.53 that enable each corporation to make its own determination as to the prerequisites, if any, for advancement, beyond the written repayment undertaking.”</li> </ul>
<b>Retroactive Validation of Corporate Acts</b>	None.	Sections 204 and 205 of the DGCL are unique provisions that allow a Delaware corporation to cure defects in authorization of certain	None.	Such provisions expressly codify procedures for the ratification of defective acts and reverses the Delaware court’s previous decision that certain defective corporate acts are “void” and incapable of

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
		corporate acts. Section 204 is a corporate “self-help” mechanism, while Section 205 provides a more flexible and more powerful judicial cure for defective corporate acts — while also providing a judicial check on a misuse of ratification pursuant to Section 204.		remedy. <sup>7</sup>
<b>Medium Form Merger Process</b>	None.	DGCL sec. 251(h) eliminates the need for stockholder approval of second-step mergers following tender offers if certain conditions are met, thus eliminating the need for workarounds such as top-up options and dual-track structures.	None.	Such provisions facilitate the use of tender offers to complete acquisitions.
<b>Annual Reporting Requirements for Closely Held Corporations with regard to Proprietary</b>	None.	Considered by Delaware (per Jim from Professor Hammermesh).	None.	None.

<sup>7</sup> See [http://www.martindale.com/corporate-law/article\\_Sheppard-Mullin-Richter-Hampton-LLP\\_2111288.htm](http://www.martindale.com/corporate-law/article_Sheppard-Mullin-Richter-Hampton-LLP_2111288.htm).

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
<b>Information</b>				
<b>Flexibility</b>	The Connecticut Entity Transactions Act ("CETA") is based on the ABA/NCCUSL Model Entity Transactions Act and permits easy change of business entity form and domestication. It also permits mergers and interest exchanges among different types of entities.	<ul style="list-style-type: none"> <li>• DGCL is aimed at giving corporations/shareholders maximum flexibility with regard to ordering their affairs.</li> <li>• Board committees can have alternates so committees can function when a member is absent/disqualified.</li> <li>• Flexibility in corporate form (allows general corporation, LLC, statutory trust, ltd partnership, limited liability partnership [Benefit Corporation?]).</li> </ul>	<ul style="list-style-type: none"> <li>• The Model Entity Transactions Act addresses the conversion of one form of unincorporated entity into another, such as the conversion of a limited partnership into a limited liability company.</li> </ul>	Commentators have expressed concern that transactions under CETA may have adverse tax consequences. <sup>8</sup>
<b>Expertise</b>	The CBCA has a number of general advantages over the DGCL as a result of	<ul style="list-style-type: none"> <li>• Respected Court of Chancery; legislature is attentive to current developments and</li> </ul>	The Model Act provides uniformity and expertise since it is the basis of the	None.

<sup>8</sup> See [http://www.martindale.com/corporate-law/article\\_Pullman-Comley-LLC\\_2179356.htm](http://www.martindale.com/corporate-law/article_Pullman-Comley-LLC_2179356.htm).

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
	being based upon the Model Act.	trusts bar association to recommend appropriate changes; effective/profitable SOSO. <ul style="list-style-type: none"> <li>• DGCL is taught nationwide.</li> <li>• Case law is at the cutting edge because DE courts have the opportunity to issue decisions on current, complex transactions.</li> </ul>	corporate law of many states. In addition, the official comments of the Model Act and the case law from other Model Act states provides helpful guidance in its interpretation.	
<b>Franchise Taxes, Registration and Service of Process Charges, Other Taxes</b>	Under CBCA sec. 33-618, Connecticut requires corporations to pay a franchise tax based on the number of authorized shares at the rate of one cent per share up to and including the first ten thousand authorized shares, one-half cent per share for each authorized share in excess of ten thousand shares up to and including one	Corporations incorporated in the State of Delaware are required to file an Annual Report and to pay a franchise tax. The Annual Report filing fee for all other domestic corporations is \$50.00 plus taxes due upon filing of the Annual Report. The minimum tax is \$175.00, for corporations using the Authorized Shares method and a minimum tax of \$350.00 for	None.	<ul style="list-style-type: none"> <li>• Corporation franchise taxes are important to state budget [what do CT/DE charge for franchise taxes, registration, and service of process?].</li> <li>• What is state franchise tax? Other taxes? Do they vary based on corporate form elected?</li> <li>• Input re BDC.</li> <li>• What incentives are offered to form/maintain significant operations?</li> </ul>

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
	<p>hundred thousand shares, one-quarter cent per share for each authorized share in excess of one hundred thousand shares up to and including one million shares and one-fifth cent per share for each authorized share in excess of one million shares whenever it:</p> <p>(1) Files a certificate of incorporation; (2) files a certificate of amendment increasing the number of authorized shares; (3) files a certificate of merger increasing the number of authorized shares which a surviving or new domestic corporation will have authority to issue above the aggregate number of shares which the</p>	<p>corporations using the Assumed Par Value Capital Method. All corporations using either method will have a maximum tax of \$180,000.00.</p>		

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
	merging domestic corporations had authority to issue; or (4) files a certificate of correction increasing the number of authorized shares which the corporation will have authority to issue.			
<b>Court System</b>	The creation of the complex litigation docket by the Connecticut Judicial Branch permits a single judge to manage complex cases for all purposes. These judges have a limited, assigned case load and resources that are not available to other judges.	<ul style="list-style-type: none"> <li>Equity; no jury; expertise because of volume of cases litigated; judges familiar with complex business transactions; have opinions on virtually all provisions of DCL; Delaware Supreme Court known for speed/willing to announce decision shortly after argument with detailed opinion to follow.</li> </ul>	None.	None.
<b>SOSO</b>	<ul style="list-style-type: none"> <li>Online filing system files and maintains legally required records showing the</li> </ul>	<ul style="list-style-type: none"> <li>Collects franchise taxes, registers foreign entities; authorized to accept service of process in certain</li> </ul>	None.	None.

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
	<p>formation of and fundamental changes to corporations, limited liability companies, limited liability partnerships, limited partnerships and other businesses. The Commercial Recording Division disseminates that information to the general public, the business, banking and legal communities.</p> <ul style="list-style-type: none"> <li>• Online access to forms, fees, corporate information, online CBCA statutes.</li> <li>• Provides expedited 24 hour service for</li> </ul>	<p>cases.</p> <ul style="list-style-type: none"> <li>• State of the art technology; online access to forms, fee schedules, basic corporate information in SOS database [what's in there?], online DCL.</li> <li>• Handles basic customer inquiries, franchise tax matters and business filings.</li> <li>• Has second shift that works till midnight to handle expedited handling and pre-clear documents for subsequent filing.</li> <li>• Offers one hour, two hour, same day and 24 hour service for urgent matters for an added fee [what is it? CT offer/fee?].</li> <li>• Operates at a profit.</li> </ul>		



Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
	<p>\$50.00 per transaction. Expedited documentation will be mailed at 4 pm the following business day (or can be picked up prior to mailing).</p>			
<b>LLCs</b>	<p>The CBA Business Law Section appointed a committee almost two years ago which has been meeting on a monthly basis (and as of January 2015 will increase its meeting schedule to twice monthly) to study the ABA Uniform Limited Liability Company Act and consider its adoption to replace the current Connecticut Limited Liability Company Act. The goal is for the committee to</p>	<p>LLC offers absence of formalities/favorable tax treatment.</p>	<p>See the ABA Uniform Limited Liability Company Act.</p>	<p>None.</p>

Issue/Subject	Connecticut Law	Delaware Law	Model Act	Comments
	complete its work in the spring of 2015, present its recommendations to the Business Law Executive Committee, convene joint meetings with other CBA sections and be prepared to recommend the Act, as may be modified, to the 2015-2016 session of the General Assembly for adoption.			
<b>Non-Profits</b>	Under CBCA sec. 33-1014, a nonstock corporation must pay a franchise tax of \$30.00 when it files its certificate of incorporation. Other fees are payable to the Secretary of the State under sec. 1013. There must be 3 or more directors under sec. 33-1082.	Not-for-profit corporations are governed by the same law that applies to for profit corporations. The DGCL requires a corporation to have only one director. Delaware law does not require a corporation to have officers.	See the Model Nonprofit Corporation Act.	None.
<b>Benefit</b>	CT enacted a Benefit Corporation statute	DGCL sec. 361, et seq. governs Public Benefit	MBCA sec. 18.01, et seq. governs	A benefit corporation is a new legal entity for mission driven

<b>Issue/Subject</b>	<b>Connecticut Law</b>	<b>Delaware Law</b>	<b>Model Act</b>	<b>Comments</b>
<b>Corporations</b>	in 2014. P.A. 14-217 sec. 140	Corporations under Delaware law.	Public Benefit Corporations.	businesses that provides a higher level of legal protection, accountability, and transparency than existing for-profit entities.

**Exhibit 2:**  
**CBA Recommendations**

**REPORT OF CORPORATIONS COMMITTEE OF CONNECTICUT BAR  
ASSOCIATION BUSINESS LAW SECTION REGARDING RECOMMENDATIONS TO  
THE COMMISSION ON CONNECTICUT'S LEADERSHIP ON CORPORATION AND  
BUSINESS LAW**

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1. The 2013/2014 session of the Connecticut General Assembly established the Commission on Connecticut's Leadership in Corporation and Business Law (the "Commission"). A function of the Commission is to review the corporation and business laws of the State of Connecticut and compare them with the laws of Delaware, New York and other pertinent jurisdictions with a view toward recommending approaches to attract and retain Connecticut businesses.

2. The Business Law Section of the Connecticut Bar Association (the "Section") is composed of lawyers throughout the state whose practices encompass multiple aspects of business law. The Section maintains a number of Committees, one of which is the Corporations Committee, chaired by Attorney Andrew Glassman of Pullman & Comley LLC.

3. At the request of the Section's Chair Mark G. Sklarz, Mr. Glassman convened a telephone conference call meeting of the Corporations Committee on Tuesday, January 27, 2015 to discuss and consider certain items raised by the Commission in its first two meetings and to provide recommendations to the Commission. Prior to the meeting, pertinent materials and a suggested agenda were circulated to the members of the Committee.

4. The following Committee members participated at the meeting:

Andrew Glassman of Pullman & Comley LLC  
John Lawrence of Shipman & Goodwin LLP  
Kenneth Lerman of Law Office of Kenneth B. Lerman, P.C.  
James Lotstein of Locke Lord LLP  
Mark Sklarz of Day Pitney LLP  
David Swerdloff of Day Pitney LLP  
Edward Whittemore of Murtha Cullina LLP

In addition, subsequent to the meeting, comments were received from Mr. Lerman and Attorney William Seeley of Seeley and Berglass. Mr. Seeley was unable to attend the meeting.

5. The Committee engaged in a thorough and detailed discussion of the agenda items. Of particular importance with respect to the items regarding the Model Business Corporation Act was the valuable and knowledgeable input of James Lotstein who serves as a member of the American Bar Association Model Corporate Laws Committee, which drafts and promulgates the Model Business Corporation Act, on which the Connecticut Business Corporation Act is based.

6. The Committee reached the following conclusions:

a. Connecticut should continue to base its statutory corporate law on the Model Business Corporation Act (the Model Act") since its enactment. Such approach creates

uniformity and reliability. The Business Law Section of the Connecticut Bar Association should continue to review, evaluate and, as deemed appropriate, recommend to the legislature enactment of amendments adopted and published by the ABA Corporate Laws Committee.

b. In connection with subparagraph a. above, Connecticut should enact Standards of Liability for Directors in accordance with Sections 8.31 of the Model Act and update §33-756 of the Connecticut General Statutes to reflect changes to Section 8.30 of the Model Act, regarding Standards of Conduct for Directors. [Model Act Section 8.31 essentially codifies well-established common law principles relating to both substantive and procedural aspects of director liability.]

c. Connecticut should enact a statute to permit a Connecticut corporation to include in its Certificate of Incorporation a provision that limits or eliminates a director's or an officer's duty to present a business opportunity to the corporation. Provisions to this effect are being finalized by the ABA Corporate Laws Committee and were approved in concept by the CBA Business Law Section in 2014.

d. Connecticut should enact a statute similar to that recently adopted by Delaware permitting retroactive validation of improperly adopted corporate acts. Mr. Lotstein advised that the ABA Corporate Laws Committee has been working on language of a new Model Act provision for this purpose, which he expects to be adopted this year.

e. Connecticut should enact a statute to permit the Certificate of Incorporation or bylaws of a Connecticut corporation to require that disputes involving internal affairs of a Connecticut corporation be arbitrated or litigated in Connecticut.

5. There was no consensus among the Committee participants with respect to the enactment of a statute providing that directors and officers of a Connecticut corporation be deemed to have consented to personal jurisdiction in the State of Connecticut.

6. The Committee requested that additional research be conducted on the current status of the statute of limitations under Connecticut law with respect to contracts executed under seal prior to evaluating the benefit of an extension of the current contract statute of limitations (six years) for contracts under seal.

7. The Committee did not support a statute to permit a fee shifting provision to be included in the Certificate of Incorporation or bylaws of a Connecticut corporation.

Notes:

1. Mr. Seeley's comments were consistent with the recommendations of the Committee.

2. The Committee briefly discussed the suggestion to create a Business Court. The consensus was supportive of exploring the process with the belief that such a Court may have the benefits of attracting business to Connecticut and creating a confidence level with respect to business litigation in Connecticut.

**Exhibit 3:**  
**BLWG Interim Report**

**COMMISSION ON CONNECTICUT'S LEADERSHIP ON CORPORATION  
AND BUSINESS LAW**

**RECOMMENDATIONS OF THE BUSINESS LAW WORKING GROUP  
REGARDING STATUTORY CHANGES AND  
TOPICS MERITING FURTHER CONSIDERATION**

The Business Law Working Group (the "Working Group") of the Commission on Connecticut's Leadership on Corporations and Business Law (the "Commission") will make the following recommendations to the Commission pertaining to the ten-year plan of action to establish Connecticut's leadership in corporation and business organizations law required by Public Act 14-189:

- 1) That the Commission recommend that the corporate statutes of Connecticut continue to be based upon the American Bar Association Model Business Corporation Act (the "MBCA") and that Connecticut should continue to review, evaluate and, as deemed appropriate, enact amendments to the Connecticut Business Corporation Act (the "CBCA") adopted and published as part of the MBCA.
- 2) That the Commission recommend the following changes to the Connecticut Business Corporation Act (the "CBCA") to conform to the MBCA, on which the CBCA is based:
  - a) Proposed amendments to the CBCA that are set forth in Senate Bill 967 of the 2015 legislative session of the Connecticut General Assembly:
    - i) Amendments to CBCA section 33-776 to make the limits on indemnification and advance of expenses to officers comparable to the limits on directors.
    - ii) Amendment to CBCA section 33-773 to delete the requirement of a written affirmation as a condition to advance of expenses, while continuing the requirement for a written undertaking to repay any funds advanced if it is ultimately determined that the director is not entitled to indemnification.
    - iii) Other amendments to conform to recent MBCA changes, including changes clarifying when the terms of an irrevocable proxy are binding on a transferee, to allow voting trusts to have a term of more than ten years, and to clarify the rules regarding qualifications of directors and nominees for directors.
  - b) Changes that have been adopted in the MBCA but not yet approved in Connecticut:
    - i) Update CBCA section 33-756 regarding general standards for directors to conform to MBCA section 8.30.
    - ii) Adopt a new CBCA section that would be the equivalent of section 8.31 of the MBCA to provide standards of liability for directors.



- c) Changes to the MBCA that are expected to be adopted in the MBCA in the foreseeable future:
  - i) Provision permitting corporations to retroactively validate corporate actions, as Delaware has recently done by statute.
  - ii) Provision permitting advance renunciation of business opportunities in the certificate of incorporation of a Connecticut corporation and related changes.
  - iii) Provision permitting medium form mergers, as Delaware has recently done by statute.
- 3) That the Commission recommend that, as part of the ten-year plan, the Connecticut Nonstock Corporation Act be updated.
- 4) That the Commission recommend that the CBCA be amended to authorize Connecticut corporations to adopt bylaw provisions requiring disputes regarding the internal affairs of Connecticut corporations to be brought in Connecticut permit conduct by Connecticut corporations, as permitted in Delaware by case law.
- 5) That, as part of the ten-year plan, the Commission study and evaluate whether it is feasible and would enhance and improve the Connecticut General Statutes to adopt one or more statutes that would impede non-meritorious litigation in Connecticut involving mergers and acquisitions.
- 6) That the Commission, as part of the ten-year plan, study and evaluate whether it is feasible and would enhance and improve the Connecticut General Statutes to codify rules relating to successor liability in connection with sales of assets by Connecticut entities.
- 7) That the Commission recommend that the Connecticut limited liability statutes be updated and revised based upon the Uniform Limited Liability Company Act, noting that the Connecticut Bar Association is actively engaged in the preparation of updated limited liability statutory amendments to propose to the Connecticut General Assembly in 2016.
- 8) That, as part of the ten year plan, the Commission study and evaluate whether it is feasible and would enhance and improve the Connecticut General Statutes to add nonstock corporations to the type of entities which may utilize the Connecticut Entity Transaction Act; provide for non-profit limited liability Companies; and to permit series limited liability company interests.

In addition, the Working Group is currently researching and considering whether changes to the Connecticut General Statutes to authorize Connecticut corporations, by contract, to extend the period in which suit may be brought beyond the applicable statute of limitations, as is permitted by statute in Delaware, would be necessary or desirable and the Working Group will report to the Commission when that research is completed.

**Exhibit 4:**  
**Fee Shifting Bylaws**

## **FEE SHIFTING LEGISLATION CONSIDERATIONS**

The concept of fee shifting received national attention as a result of the decision of the Delaware Supreme Court in the case of ATP Tour Inc. v Duetscher Tennis Bund, 91 A. 3d 554 (Del. 2014), which upheld a provision in the bylaws of a nonstock Delaware corporation requiring the plaintiff to pay the attorney's fees and expenses of the corporation if the plaintiff did not achieve, in a judgment on the merits, substantially all that the plaintiff was requesting in substance and amount. As the result of the ATP decision, fee shifting has been debated among lawyers, judges and academics, with much being written and discussed on this topic.

In Delaware, legislation is currently being considered that would invalidate a provision in the certificate of incorporation or bylaws of a stock corporation that purports to impose liability on a shareholder for attorney's fees or expenses of a corporation in connection with an "intra corporate claim." The proposed new Delaware legislation also would expressly validate exclusive forum provisions in a Delaware corporation's certificate of incorporation or bylaws. The legislation has been passed by the Delaware Senate and is awaiting action by the Delaware House, which is expected in June.

Oklahoma adopted "loser pays" type legislation in 2014 that provides that, in derivative actions, the court "shall require the nonprevailing party or parties to pay the prevailing parties the reasonable expenses, including attorney fees, taxable as costs, incurred as a result of such action."

This Commission has been examining whether Connecticut should enact legislation to enable business entities to adopt bylaws which would require shareholders to pay the legal fees incurred defending an action challenging certain business conduct and decisions ("fee shifting statutes").

Those advocating in favor of the adoption of fee shifting statutes assert that there has been a rise in the number of derivative lawsuits filed by shareholders (on behalf of the corporation and all of its shareholders) challenging prospective corporate transactions and Board of Director decisions; that the shareholders' counsel rely upon law providing that the corporation may be required to bear the expense of the litigation; and that the vast majority of these actions are settled (and frequently the settlements involve the payment of all or a portion of the fees of the suing shareholder's counsel). Recent reports indicate that as many as 91% of public company corporate transactions in America in excess of \$100 million and 95% in excess of \$500 million are challenged through litigation. On average, there are approximately five lawsuits for each public deal. It has been reported that sometimes shareholder complaints are merely copied from a previously lawsuit with identification of the incorrect plaintiff.

Accordingly, certain businesses have sought to amend their certificates of incorporation or bylaws to add fee shifting provisions.

Those advocating against the adoption of fee-shifting statutes provide reasons that include the following:

1. Most litigation testing the propriety of conduct under the DGCL or common law of fiduciary duties is brought by shareholders. No one can confidently predict the outcome of litigation. Virtually no lawsuit substantially achieves in substance and amount the full remedy sought. If fee shifting bylaws become widespread, all shareholder litigation would be at risk, irrespective of the merits of the claims. This would curtail the development of the common law of corporations. Corporate law, particularly Delaware corporate law, is built to a significant extent on the common law. Key court decisions that give guidance to corporations and their lawyers have developed over the years to fill in the gaps and interpret the statutes. This is particularly true in the area of the fiduciary duties of directors and officers.
2. The absence of shareholder litigation would eliminate the only existing source of regulation of substantive corporate law. No government body regulates the relationship between shareholders and management. The federal government regulates disclosure and trading in securities. If fee-shifting bylaws were to become widespread, regulators might feel compelled to step in. This could result in the adoption of a federal corporate law or activity by state attorneys general.
3. In essence, fee-shifting would impose on one constituency (i.e. the shareholders) the entire monetary risk of protecting against breach of fiduciary responsibility. Shareholders need the right to institute suit without fear of incurring costs in the event of an adverse decision.
4. Courts may deal with the problem of meritless litigation by not approving meritless settlements, limiting fees paid to shareholder's counsel on a case by case basis, adopting judicial rules on motions to dismiss and imposition of litigation costs where a litigant has deliberately disregarded legitimate interests of others.
5. Fee-shifting bylaws are destructive of relationships between corporations and their shareholders. Some shareholders, such as public pension funds, have publicly opposed fee-shifting. In some cases, shareholders have brought suit to try to stop corporations from adopting fee-shifting bylaws.
6. Studies show that few public corporations have adopted fee shifting bylaws and no large, public corporations have adopted them.
7. It is believed that forum selection bylaws of the type endorsed in the Commission's draft interim report for adoption in Connecticut have limited the abuses of multi-forum stockholder litigation and forum shopping.
8. Proxy advisory firms recommend against the adoption of fee shifting bylaws.
9. The adoption of fee shifting bylaws may result in negative publicity for corporations which adopt them.
10. The Corporations Committee of the Business Law Section of the Connecticut Bar Association held a meeting on January 27, 2015 to consider certain topics raised by the

Commission and to provide recommendations to the Commission. The Committee did not support the adoption of a fee-shifting statute in Connecticut.

Our Commission has examined both the pros and cons in this debate, examined proposed legislation in Delaware. Several members of the Commission, who were present at the American Bar Association Business Law Section meeting in April of 2015, attended multiple presentations on this subject. As a result of the study we felt appropriate, our Commission has decided against recommending that fee shifting legislation be proposed for Connecticut.

**Exhibit 5:**  
**Business Law Center**

## **University of Connecticut School of Law Business Law Center**

The State Commission on Leadership in Connecticut Business Law recommends the formation of a Business Law Center (the “Center”) sited on the campuses of the University of Connecticut School of Law in Hartford and Stamford. The Center’s focus would be on matters involving the Model Business Corporation Act, which has been adopted in whole or in part by Connecticut and more than 30 other states, and model acts and Connecticut’s statutes for other forms of business organizations (including limited liability companies and benefit corporations). An additional focus would be on making Connecticut an attractive forum for arbitrations and similar approaches to resolving business controversies. The goal would be for the Center to become a leading resource on Connecticut and national corporate laws and thereby enhance the willingness of businesses to organize and stay in the State, as opposed to Delaware. Under the leadership of its Director and an advisory board, the Center would actively participate, on its own initiative and at the request of others, in legislative, transactional and judicial settings where the model acts or significant issues in limited liability company or benefit corporation laws are being considered or tested. Students could perform much of the Center’s work through clinical programs, and Connecticut lawyers could provide support in a manner intended to raise the Connecticut bar’s profile in corporate law matters. Ancillary activities would facilitate the building of ties among students, faculty, law firm partners and in-house counsel and governmental lawyers.

As its reputation and resources grow, the Center could expand its reach, to add a focus on other laws particularly affecting companies in industries that Connecticut is targeting, such as financial services, biosciences, advanced manufacturing and green technology.

### Other Law School Centers

A number of law schools have “centers” focusing on, or including a focus on, corporate law matters. Some have a broad stated mandate – for example, Berkeley’s Center for Law, Business and the Economy – and some a relatively narrow one – Stanford’s Center for Corporate Governance. A corporate law center is typically just one of a half dozen or more centers or institutes a law school might have. Corporate law centers differ from one another, of course, but they generally:

- Serve as a means to emphasize the particular school’s corporate law offerings and, where applicable, its ties (through jointly taught classes and cross-enrollment opportunities) to its university’s business school.

- Have a featured conference (usually called a “symposium”) once a year, typically on a designated topic – crowdfunding has recently been popular.
- Sponsor “seminars” from time to time during the year for students and faculty, often led by established practitioners reviewing developments in their fields.
- May sponsor faculty research.
- Sponsor or fund student research, clinical work or externships.
- May facilitate fund-raising from alumni in corporate law positions and networking among alumni, local corporate law leaders, students and faculty. A number, for example, have large advisory boards mostly made up of alumni. The centers can create “naming” opportunities – Stanford’s, for example, is named for Arthur Rock, the legendary VC pioneer, and NYU’s for Lester Pollack. A center signals to the school’s corporate law alumni that it considers corporate law worthy of academic interest.

Several centers offer a “certificate” for successful completion of certain prescribed classes. At least two hold themselves out as being repositories of relevant materials.

A partial list of law schools with centers includes

Fordham  
 NYU  
 University of Cincinnati  
 Washington University  
 University of Michigan  
 UCLA (which arguably has several)  
 Vanderbilt  
 Duke  
 Widener  
 Stanford  
 Northwestern  
 Berkeley  
 Harvard (which uses the word “forum”)  
 UPenn  
 University of Minnesota

### The Center

The Center would sponsor symposia and seminars, academic research and clinical programs and externships for students. It could distinguish itself by seeking to directly influence the ways in which the model acts for business organizations (and revisions thereto) are developed and considered by model act committees and



state legislatures and are interpreted and applied in transactional and judicial settings, primarily by:

- Providing guidance and support to model act committees and legislatures in Connecticut and elsewhere as they contemplate new provisions and revisions to the model acts and Connecticut's own statutes. The support might include expert testimony, drafting assistance and comparative background analysis, as well as proposals for changes following from case or practice developments. One way the Center could gain immediate recognition among key practitioners would be to help in disseminating case and legislative developments and reform suggestions among the state bar committees in the relevant states.
- Recommending changes in model acts or Connecticut's business statutes or in their interpretation, which may involve supporting proposals by the Connecticut Bar Association for the adoption in Connecticut of a version of the Uniform Limited Liability Company Act (the "ULLCA"). The Center should also be instrumental in drafting a model act for benefit corporations and quarterbacking efforts to secure its being broadly adopted. Prior to the adoption of the ULLCA in Connecticut or of a model act for benefit corporations in Connecticut or more broadly, the Center could also look to provide assistance in controversies involving laws for organizing limited liability companies or benefit entities when those controversies may affect the development of such laws generally.
- Submitting amicus briefs and offering expert testimony in cases, as a way to support appropriate development of the law and not as advocacy per se for the position of one party.
- Offering to serve as, or to select Connecticut professionals in a merit-driven, unbiased process to serve as, experts or neutrals in arbitrations and the like based in Connecticut, including for business disputes centered in other places, and working with arbitration counsel on framing individualized rules for resolving disputes outside of court.

Students would participate in each of these activities, through the Center's related clinical programs. Connecticut law firms (including local offices of national firms) could be invited to participate, in order to enhance their brands and capabilities (as well as making the Connecticut law community generally more prominent in model act matters). Law firms would be asked to appoint "relationship" partners to enable instant contact.

In a sense, the suggestion here is the Center would act, first, as the Delaware law firms do in providing expert direction to the evolution of a body of corporate law (in the Center's case, the model acts and limited liability and benefit corporation

laws) and also as something of a public interest law firm with respect to them, contributing to their development from an independent perspective rooted in both academic and practical concerns.

The Center's effectiveness might be augmented by decisions from the Connecticut judiciary on model act-related disputes, when Connecticut has statutes based on those acts, and further enhanced if parties designate Connecticut courts as the forum for these disputes. The judiciary would, of course, need to project a readiness to expedite proceedings (including by rendering quick decisions) and possibly offering direct appeals to the Connecticut Supreme Court. If the Attorney General's office were willing to provide occasional assistance, perhaps similarly to the way a law firm might, its participation would surely add clout to a project.

### Staffing Plans

In the first year or so, the staffing would be one full-time faculty member, who would be the Director of the Center and would be assisted by an adjunct professor from the corporate legal community and a fellow. The staffing would include customary staff and library support personnel.

The full time faculty member should either be an established academic with the right subject-matter background, reputation and contacts that would lend credibility to the founding work or a younger, committed academic with promise and energy.

The second faculty position might be a non-tenure track one filled in succession by reasonably well-known corporate or litigation partners on formal or informal sabbatical leaves from major law firms or interested in transitioning to a law school environment. Appropriately advertised, it could be a sought-after position (since there is a dearth of similar opportunities). The fellow would be a relatively recent law school graduate, perhaps someone from experience at one of the key Connecticut law firms. The fellow would serve for no more than a year. An attractive feature for both roles would be the ability to create a body of work in a short period. While a single law review article could easily take a year to research, write and revise, it seems possible to craft (with student support) several meaningful amicus briefs and to appear before several legislative bodies in the same year. The adjunct professor would need to have meaningful practical experience for the amicus brief (and possible advisory opinion) endeavors to easily work.

A small cadre of experienced academics and practitioners from law firms and in-house counsel would be enlisted to form an advisory-board to provide advice and hands-on assistance in the completion of significant projects, quite likely all on a pro bono basis with suitable recognition.

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**Notes:**

(1) It has been suggested that the Center could offer advisory opinions in real-world transactional situations. Demand for an opinion might arise, for example, in a context where two law firms in a transaction are at odds over the proper construction of a provision and looking for a respected third party to effectively mediate. Or, a law firm lacking the requisite expertise or stature might pursue advice. This offering would require exceptional responsiveness to be successful. Over time, the offering could provide a revenue stream for the Center. However, it is unknown whether this would be permitted under the University's rules.

(2) Consideration has been given to whether the Center should be administered jointly with Yale and Quinnipiac Law Schools. The University of Connecticut alone is being recommended because it is a state school and the goal is to enhance the State's reputation in this area of education and expertise.

(3) Connecticut has traditionally been an incubator for business innovation and entrepreneurial endeavor. In today's business environment, this has resulted in the emergence of the limited liability company as the preferred and predominant entity for start-up companies to achieve flexibility of operation, attract investor capital and obtain limited liability protection. Both the business community and the legal profession through the Connecticut Bar Association have been active in placing Connecticut as a leader in the development of limited liability company law and policy. Most recently, the Business Law Section of the CBA conducted a comprehensive review of the ULLCA, with the intention of submitting a version to the legislature. An emphasis on limited liability company law should advance Connecticut as a venue for providing expertise, certainty and guidance for businesses being formed and operated as limited liability companies, a structure that is and will continue to be at the cutting edge of importance for small and growing businesses.

## **Exhibit 6:**

# **Delaware Rapid Arbitration Act**



**Legislative Council,  
General Assembly  
State of Delaware**

# **Title 10**

## **Courts and Judicial Procedures**

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**Part IV**  
**Special Proceedings**  
**Chapter 58**

**DELAWARE RAPID ARBITRATION ACT**

**§ 5801 Definitions.**

For purposes of this chapter only, unless the context requires otherwise:

- (1) "Agreement" means an agreement described in § 5803(a) of this title.
- (2) "Arbitration" means an arbitration provided for under this chapter.
- (3) "Arbitrator" means a person named in an agreement, selected under an agreement, or appointed by the parties to an agreement or the Court of Chancery, to preside over an arbitration and issue a final award. If an arbitration proceeds before more than 1 arbitrator,
  - a. References in this chapter to an arbitrator shall be deemed to be references to the arbitrators; and
  - b. Unless otherwise provided in an agreement, references in this chapter to an act of an arbitrator shall be deemed to be references to an act of a majority of the arbitrators.
- (4) "Final award" means an award designated as final and issued in an arbitration by an arbitrator.
- (5) "Organization" means a civic association, neighborhood alliance, homeowners maintenance corporation, homeowners maintenance association, common interest community (as defined in § 81-103 of Title 25), or other similar entity charged with or assuming the duties of maintaining the public areas, open space, or common facilities within a residential development or community.  
(80 Del. Laws, c. 6, § 1.)

**§ 5802 Purpose of the chapter.**

The purpose of the Delaware Rapid Arbitration Act is to give Delaware business entities a method by which they may resolve business disputes in a prompt, cost-effective, and efficient manner, through voluntary arbitration conducted by expert arbitrators, and to ensure rapid resolution of those business disputes. This chapter is intended to provide an additional option by which sophisticated entities may resolve their business disputes. Therefore, nothing in this chapter is intended to impair the ability of entities to use other arbitral procedures of their own choosing, including procedures that afford lengthier proceedings and allow for more extensive discovery.

(80 Del. Laws, c. 6, § 1.)

**§ 5803 Effect of arbitration agreement.**

(a) A written agreement to submit to arbitration any controversy existing at or arising after the effective date of the agreement is valid, enforceable, and irrevocable, save upon such grounds as exist at law or in equity for the revocation of any contract, without regard to the justiciable character of the controversy, so long as:

- (1) The agreement is signed by the parties to an arbitration;
- (2) At least 1 party to the agreement is a business entity, as that term is defined in § 346 of this title, formed or organized under the laws of this State or having its principal place of business in this State;
- (3) No party to the agreement is a consumer, as that term is defined in § 2731 of Title 6, or an organization, as that term is defined in this chapter;
- (4) The agreement provides that it shall be governed by or construed under the laws of this State, without regard to principles of conflict of laws, regardless of whether the laws of this State govern the parties' other rights, remedies, liabilities, powers and duties; and
- (5) The agreement includes an express reference to the "Delaware Rapid Arbitration Act."

During the pendency of an arbitration, an agreement may be amended to alter the procedures of the arbitration only with the approval of an arbitrator, but the agreement may not be amended so as to alter the time set forth in 5808(b) of this title.

(b) A party to an agreement is deemed to have waived objection and consented to:

- (1) The arbitration procedures set forth in this chapter;
- (2) The submission exclusively to an arbitrator of issues of substantive and procedural arbitrability;
- (3) The exclusive personal and subject matter jurisdiction of an arbitration, the seat of which is this State, regardless of the place of a hearing;
- (4) The exclusive personal and subject matter jurisdiction of the courts of the State for the limited purposes set forth in § 5804 of this title; and
- (5) Except as otherwise limited by the agreement, an arbitrator's power and authority to:
  - a. Determine in the first instance the scope of the arbitrator's remedial authority, subject to review solely under § 5809 of this title; and

- b. Grant relief, including to award any legal or equitable remedy appropriate in the sole judgment of the arbitrator.
  - (c) A party to an agreement is deemed to have waived the right to:
    - (1) Seek to enjoin an arbitration;
    - (2) Remove any action under this chapter to a federal court;
    - (3) Appeal or challenge an interim ruling or order of an arbitrator;
    - (4) Appeal or challenge a final award, except under § 5809 of this title; and
    - (5) Challenge whether an arbitration has been properly held, except under § 5809 of this title.
- (80 Del. Laws, c. 6, § 1.)

### § 5804 Jurisdiction.

(a) *Jurisdiction of the Supreme Court.* — Except as otherwise provided in an agreement, the making of the agreement confers jurisdiction on the Supreme Court of the State to hear only a challenge to a final award under § 5809 of this title. The Supreme Court does not have jurisdiction to hear appeals of:

- (1) The appointment of an arbitrator under § 5805 of this title;
- (2) The determination of an arbitrator's fees under § 5806(b) of this title;
- (3) The issuance or denial of an injunction in aid of arbitration under paragraph (b)(5) of this title; and
- (4) The grant or denial of an order enforcing a subpoena issued under § 5807(b) of this title.

A party to any agreement shall be deemed to have waived the right to such appeals. The Supreme Court, in consultation with the Court of Chancery, may publish rules for arbitration proceedings under this chapter and, unless an agreement provides for different rules, may specify that those rules govern arbitration proceedings under this chapter.

(b) *Jurisdiction of the Court of Chancery.* — The making of an agreement confers jurisdiction on the Court of Chancery of the State only to:

- (1) Appoint an arbitrator under § 5805 of this title;
- (2) Enter judgment under § 5810(b) of this title;
- (3) Upon the request of an arbitrator, enforce a subpoena issued under § 5807(b) of this title;
- (4) Determine an arbitrator's fees under § 5806(b) of this title; and
- (5) Issue, only before an arbitrator accepts appointment as such, an injunction in aid of an arbitration, provided that the injunction may not divest the arbitrator of jurisdiction or authority. Notwithstanding the foregoing, no court has jurisdiction to enjoin an arbitration under this chapter.

The Court of Chancery may promulgate rules to govern proceedings under this chapter.

(c) *Jurisdiction of the Superior Court.* — The making of an agreement confers jurisdiction on the Superior Court of the State only to enter judgment under § 5810(c) of this title.

(80 Del. Laws, c. 6, § 1.)

### § 5805 Appointment of arbitrator by the Court of Chancery.

(a) The Court of Chancery of the State, on petition or on application of a party in an existing case, has exclusive jurisdiction to appoint 1 or more arbitrators upon:

- (1) The consent of all parties to an agreement;
- (2) The failure or inability of an arbitrator named in or selected under an agreement to serve as an arbitrator;
- (3) The failure of an agreement to name an arbitrator or to provide a method for selecting an arbitrator;
- (4) The inability of the parties to an agreement to appoint an arbitrator; or
- (5) The failure of a procedure set forth in an agreement for selecting an arbitrator.

Following the petition or application, each party shall propose to the Court of Chancery no more than 3 persons that are qualified and willing to serve as an arbitrator.

(b)(1) The Court of Chancery shall, within 30 days of the service of the petition or application, appoint an arbitrator and, in so doing, may take into account:

- a. The terms of an agreement;
- b. The persons proposed by the parties; and
- c. Reports made under § 5806(d) of this title.

(2) An arbitrator appointed by the Court of Chancery may only be:

- a. A person named in or selected under an agreement;
- b. A person expert in any nonlegal discipline described in an agreement; or
- c. A member in good standing of the Bar of the Supreme Court of the State for at least 10 years.

An arbitrator so appointed has all the powers of an arbitrator specifically named in an agreement. Unless otherwise provided in an agreement, the Court of Chancery shall appoint a single arbitrator.

(80 Del. Laws, c. 6, § 1.)

### **§ 5806 Arbitrator; fees and expenses of arbitration.**

(a) A person accepting an appointment as an arbitrator is deemed to have:

- (1) Consented to the terms of this chapter; and
- (2) Accepted the consequences set forth in subsection (b) of this section for failing to comply with the provisions of § 5808(b) of this title.

An arbitrator is immune from civil liability for or resulting from any act or omission done or made in connection with an arbitration, unless the arbitrator's act or omission was made or done in bad faith, with malicious intent, or in a manner exhibiting a wilful, wanton disregard of the rights, safety, or property of another.

(b) Unless otherwise provided in an agreement, an arbitrator's fees and expenses, together with other expenses incurred in the conduct of an arbitration, but not including counsel fees of parties to the arbitration, shall be borne as provided in a final award. Notwithstanding the foregoing, an arbitrator that fails to issue a final award in compliance with § 5808(b) of this title is not entitled to full payment of the arbitrator's fees. The arbitrator's fees must be reduced by 25% if the final award is less than 30 days late; the arbitrator's fees must be reduced by 75% if the final award is between 30 and 60 days late; and the arbitrator's fees must be reduced by 100% if the final award is more than 60 days late. Notwithstanding the foregoing sentence, upon petition by an arbitrator, the Court of Chancery may summarily determine, on clear and convincing evidence, that exceptional circumstances exist such that the reductions in the foregoing sentence should be modified or eliminated.

(c) An arbitrator may retain appropriate counsel, in consultation with the parties. The arbitrator's counsel may make rulings on issues of law, to the extent requested to do so by the arbitrator, which shall have the same effect as a ruling by the arbitrator, if the arbitrator so determines. The fees and expenses incurred by the arbitrator's counsel must be included in the arbitrator's expenses described in subsection (b) of this section.

(d) An arbitrator that fails to issue a final award in compliance with § 5808(b) of this title shall, within 90 days of the failure, report that failure to the Register in Chancery, indicating:

- (1) The date on which the arbitrator accepted appointment as an arbitrator; and
- (2) The date on which the final award was issued.

(80 Del. Laws, c. 6, § 1.)

### **§ 5807 Hearing; witnesses; prehearing evidence gathering; rulings before final award.**

(a) Unless otherwise provided in an agreement, an arbitrator shall appoint a time and place for a hearing or an adjourned hearing, either of which may be held within or without the State and within or without the United States. Notwithstanding the foregoing sentence, the seat of an arbitration is the State of Delaware. Unless otherwise provided in an agreement, a party to an arbitration is entitled to be heard, to present evidence relevant to the arbitration, and to cross-examine witnesses appearing at a hearing. Notwithstanding the foregoing, an arbitrator may make such interim rulings and issue such interim orders as the arbitrator deems necessary to determine what evidence and which witnesses may be presented at the hearing, including to limit the presentation of evidence and witnesses as necessary to satisfy § 5808(b) of this title. An arbitrator may resolve an arbitration on the evidence produced at a hearing notwithstanding the failure of a party duly notified to appear or participate at the hearing.

(b) Unless otherwise provided in an agreement, an arbitrator has the power to administer oaths and may compel the attendance of witnesses and the production of books, records, contracts, papers, accounts, and all other documents and evidence. Only if provided in an agreement, an arbitrator has the power to issue subpoenas, and all provisions of law compelling a person under subpoena to testify are applicable. Only if provided in an agreement, an arbitrator may award commissions to permit a deposition to be taken, in the manner and on the terms designated by the arbitrator, of a witness who cannot be subpoenaed.

(c) An arbitrator may make such rulings, including rulings of law, and issue such orders or impose such sanctions as the arbitrator deems proper to resolve an arbitration in a timely, efficient, and orderly manner.

(80 Del. Laws, c. 6, § 1.)

### **§ 5808 Awards.**

(a) A final award must be in writing and signed by an arbitrator, must be provided to each party to an arbitration, and must include a form of judgment for entry under § 5810 of this title. Unless otherwise provided in an agreement, an arbitrator may make any award, whether legal or equitable in nature, deemed appropriate by the arbitrator. Unless otherwise provided in an agreement, an arbitrator may make in a final award rulings on any issue of law that the arbitrator considers relevant to an arbitration.

(b) Subject to subsection (c) of this section, an arbitrator shall issue a final award within the time fixed by an agreement or, if not so fixed, within 120 days of the arbitrator's acceptance of the arbitrator's appointment.



(c) Parties to an arbitration may extend the time for the final award by unanimous consent in writing either before or after the expiration of that time, but the extension may not exceed, whether singly or in the aggregate, 60 days after the expiration of the period set by subsection (b) of this section.

(80 Del. Laws, c. 6, § 1.)

### **§ 5809 Challenges; court powers to vacate, modify, or correct a final award.**

(a) A challenge to a final award may be taken to the Supreme Court of the State in the manner as appeals are taken from orders or judgments in a civil action.

(b) A challenge to a final award must be taken within 15 days of the issuance of the final award. The record on the challenge is as filed by the parties to the challenge in accordance with the Rules of the Supreme Court.

(c) In a challenge to a final award, the Supreme Court of the State may only vacate, modify, or correct the final award in conformity with the Federal Arbitration Act [9 U.S.C. § 1 et seq.]. The Supreme Court shall have the authority to order confirmation of a final award, which confirmation shall be deemed to be confirmation under § 5810(a) of this title.

(d) Notwithstanding any other provision of this section, an agreement may provide for:

(1) No appellate review of a final award; or

(2) Appellate review of a final award by 1 or more arbitrators, in which case appellate review shall proceed as provided in the agreement. An appellate arbitrator may be appointed by the Court of Chancery of the State under § 5805 of this title. An appellate arbitrator shall have authority to order confirmation of a final award, which confirmation shall be deemed to be confirmation under § 5810(a) of this title.

(80 Del. Laws, c. 6, § 1.)

### **§ 5810 Confirmation of a final award; judgment on final award.**

(a) Unless a challenge is taken under § 5809 of this title or unless an agreement provides for appellate review by 1 or more arbitrators, a final award, without further action by the Court of Chancery of the State, is deemed to have been confirmed by the Court of Chancery on the fifth business day following the period for challenge under § 5809(b) of this title. If an agreement provides for no appellate review of a final award, the final award is deemed to have been so confirmed on the fifth business day following its issuance.

(b) Except if a final award is solely for money damages, upon application to the Court of Chancery of the State by a party to an arbitration in which a final award has been confirmed under subsection (a) of this section, the Court of Chancery shall promptly enter a final judgment in conformity with that final award. A final judgment, so entered, has the same effect as if rendered in an action by the Court of Chancery.

(c) If a final award is solely for money damages, upon application to the Superior Court of the State by a party to an arbitration in which a final award has been confirmed under subsection (a) of this section, the prothonotary of the Superior Court shall promptly enter a judgment on the judgment docket in conformity with that final award. The prothonotary of the Superior Court shall enter in the judgment docket the names of the parties, the amount of the final award, the time from which interest, if any, runs, and the amount of the costs, with the true date of the filing and entry. A final judgment, so entered, has the same force and effect as if rendered in an action at law, and, from that date, becomes and is a lien on all the real estate of the debtor in the county, in the same manner and as fully as judgments rendered in the Superior Court are liens, and may be executed and enforced in the same way as judgments of the Superior Court.

(80 Del. Laws, c. 6, § 1.)

### **§ 5811 Application of chapter.**

It is the policy of this chapter to give maximum effect to the principle of freedom of contract and to the enforceability of agreements.

(80 Del. Laws, c. 6, § 1.)

### **§ 5812 Short title.**

This chapter may be cited as the "Delaware Rapid Arbitration Act."

(80 Del. Laws, c. 6, § 1.)

**Exhibit 7:**  
**Corporate Taxes**

# **CONNECTICUT CORPORATE TAXES OVERVIEW & GUIDING PRINCIPLES**

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Presented to the Commission on Connecticut's Leadership in  
Corporation and Business Law

May 15, 2015

# HISTORICAL PERSPECTIVE

## Business Tax Task Force Report (Sept. 27, 2012)

“Business Tax policy is cumulative, legacy-based, revenue driven, insufficiently aligned with economic policy, & inadequately reflects the emergent marketplace (global, mobile, virtual, contingent employment, intangible goods & services).”

- No defined policy
- Developed over time
- Driven by revenue needs
- Successful projects in targeted areas
- No overall alignment with economic policy or marketplace

# OVERVIEW - CURRENT CORPORATE TAXES

## Tax types – Not Just Corporate Income Tax

- Income taxes – Personal and Corporate
- Special industry taxes, e.g. insurance premiums
- Sales & use tax
- Local property tax
- Unemployment insurance tax

## Common tax credits

- Research & development
- Investment – property & people

## Analysis

- CT appears similar to most other states
- Differences relate to the implementation
- Volatility
- Complexity
- Expanded bases

# TRENDS IN CONNECTICUT

## Trends

- Sharp decline in corporate taxpayers
- Total corporate income tax revenue remained constant
- Significant portion of other taxes, e.g. S&U and property
- Proposals to limit critical provisions, e.g. credits, NOLs, sales tax exemptions

## Analysis

- Corporate tax policy must extend beyond the corporate income
- Provide a level playing field across all taxes for corporate and other business taxpayers
- Should follow universally held tax principles, e.g. do not tax business inputs



# POLICY PRINCIPLES

## Tax policy principles

- Revenue stability & sufficiency
- Balanced revenue sources
- Structural stability
- Predictability
- Ease of compliance
- Fair, efficient and cost effective administration
- Consistent application of law and timely guidance
- Reflect the global and local marketplace

## Analysis

- Sound policy “anchors” businesses and encourages investment
- Permits long-term investment and location planning
- Avoids short-term instability that creates budget crises
- Administrable by taxpayers and DRS

# GOING FORWARD

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## Guiding principles

- Define who you are as a state
- Decide what you want to be
- Develop the detailed policy – no one size fits all
- Stay the course
- Avoid taxing business inputs
- Maintain an outward looking view
- Bottom line – Competitive

## Analysis

- Sound tax policy will shape revenue decisions
- Ease revenue insufficiency and volatility
- Foster a predictable and growing business climate
- Make investment and location decisions easier
- Bottom Line - Maintains competitiveness for the state



# CT CORPORATE TAX POLICY

## Q&A

Thank you!

### Panelists – CBIA Tax Committee Members

Sandy Coombes, Senior Tax Director, Aetna

Harry Im, State Tax Counsel, United Technologies Corporation

Stephen LaRosa, Senior Director, State & Local Tax, Alexion Pharmaceuticals, Inc.

Gerard Maher, Tax Director, Boehringer Ingelheim

## **Exhibit 8:**

# **Pass-Through Entity Taxation**

# PASS-THROUGH ENTITY TAXATION IN CONNECTICUT

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**For the Connecticut State Tax Panel**

**October 13, 2015**

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# **Pass-Through Entity Taxation in Connecticut**

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## **Guiding Principles for Reform to Encourage Competitiveness**

- **Most Businesses Operate As a Pass-Through Entity**
- **Need to Eliminate Connecticut Anti-Competitive Tax Laws/Do Not Penalize Businesses for Being Based in Connecticut**
- **Need for Consistency in State Tax Treatment of Businesses Regardless of Legal Form Regarding Apportionment, Income Sourcing and Tax Credit Availability**
- **Predictability and Ease of Compliance**

# **Pass-Through Entity Taxation in Connecticut**

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## **Types of Pass-Through Entities**

- **Limited Liability Companies (Single Member vs. Multiple Members)**
- **Partnerships, Limited Partnerships and Limited Liability Partnerships**
- **Subchapter S Corporations**
- **Disregarded Entities (Single Member LLCs, Qualified Subchapter S Subsidiaries)**

# Pass-Through Entity Taxation in Connecticut

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## Formation of Pass-Through Entities; Office of the Secretary of State

Year	Stock Corporations	LPs	LLPs	LLCs
2014	3165	228	69	22,950
2013	3413	167	88	22,506
2012	3317	190	75	22,824

N.B. “Stock corporations” include both Subchapter C corporations (taxable entities) and Subchapter S corporations (pass-through entities)

# **Pass-Through Entity Taxation in Connecticut**

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## **Most Common Attributes of Pass-Through Entities**

- **Small- and Medium-Sized Businesses (Often Owned by Individuals and Trusts)**
- **Corporate Joint Ventures**
- **Require Outsourced Services (Third Party Business Inputs)**
- **No or Limited In-House Tax/Compliance Services/Business Management Services**

# Pass-Through Entity Taxation in Connecticut

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## Federal and State Tax Treatment

- **Federal Income Tax Treatment**
  - No Federal Income Tax at Entity Level (Unless Check-the-Box Election Made)
    - Information Return: IRS Forms 1065 or 1120-S/Schedule C
  - Items of Income, Gain, Loss, Deduction and Credit Flow Through to Owners
  - Distributive Share of Income or Loss and of Certain Separately Stated Items



# Pass-Through Entity Taxation in Connecticut

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## Federal and State Tax Treatment

- **State Income Tax Treatment (Generally Follows Federal Income Tax Treatment)**
  - Composite Tax Return Obligation (Form CT-1065/1120SI)
  - Foreign (non-Connecticut) Owner Withholding
- **Other State Taxes (Separate Entity Treatment)**
  - Sales and Use Tax
  - Conveyance Tax/Controlling Interest Transfer Tax
  - N.B. Conn. Gen. Stat. §34-113: LLC Taxation In Accordance With Federal Tax Classification (but see DRS Special Notice 99(3))

# Pass-Through Entity Taxation in Connecticut

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## Connecticut Taxes Paid by Pass-Through Entities and Their Owners

- **Personal Income Tax**
  - State Composite Tax Return/Withholding
- **Business Entity Tax**
- **Sales and Use Tax**
- **Local Property Tax**
- **Unemployment Insurance Tax**

# Pass-Through Entity Taxation in Connecticut

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## Anti-Competitive Connecticut Income Tax Issues for Pass-Through Entities

- **Penalty Apportionment and Sourcing Rules**
  - Favoring Out-of-State Businesses/Need for Market Sourcing
  - Lack of Consistency with Tax Treatment of Corporations
- **Limited Availability of Credits**
- **History of Retroactive Tax Law Changes**

# Pass-Through Entity Taxation in Connecticut

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## Anti-Competitive Connecticut Income Tax Issues for Pass-Through Entities (cont'd)

- **Business Tax Task Force Report (dated September 27, 2012),  
Chairs: Commissioners Smith and Sullivan**
  - “Connecticut differentially & inequitably taxes similar enterprises solely on the basis of chosen forms of doing business . . . .”
  - “Consistent application of law, avoidance of retroactive changes, & reliable guidance are positive attributes of fair, effective & efficient business taxes.”
  - Recommendation: “Standardize apportionment, factor weighting & sourcing.”
  - Recommendation: “Phase out taxation of business-to-business computer & data processing services, analysis, management & management consulting services.”

# Pass-Through Entity Taxation in Connecticut

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## Penalty Apportionment/Sourcing Rules

- **Scenario 1(a)**
  - Connecticut-based pass-through entity (partnership, limited liability company or Subchapter S corporation) (“PE”) sells services
  - All owners of PE are individuals
  - PE’s only office is in Connecticut
  - PE has taxable nexus in Massachusetts
  - All of PE’s customers are located in Massachusetts
  - Result:
    - ❖ PE sources 100% of income to Connecticut
    - ❖ PE sources 100% of income to Massachusetts
  
- **Scenario 1(b)**
  - Massachusetts-based PE sells services
  - All owners of PE are individuals
  - PE’s only office is in Massachusetts
  - PE has taxable nexus in Connecticut
  - All of PE’s customers are located in Connecticut
  - Result:
    - ❖ PE sources 0% of income to Connecticut
    - ❖ PE sources 0% of income to Massachusetts

# Pass-Through Entity Taxation in Connecticut

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## Penalty Apportionment/Sourcing Rules (cont'd)

- **Scenario 2**
  - Pass-through entity (“PE”) is a manufacturer
  - PE’s owners are:
    - Individual (“I”) who is a resident of Massachusetts
    - Corporation (“C”) who is based in Massachusetts
  - All of PE’s manufacturing facilities are located in CT; PE’s sales office is located in MA; 80% of PE’s payroll is located in Connecticut
  - All of PE’s customers are located in Massachusetts
  - Result:
    - I sources 60% of its flow-through income from PE to Connecticut
    - C sources 0% of its flow-through income from PE to Connecticut

# Pass-Through Entity Taxation in Connecticut

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## Limited Availability of Credits

There are approximately 25 Connecticut tax credits for which Subchapter C corporations can qualify, but pass-through entities and their owners cannot, including those tax credits for:

- Fixed Capital Investments (Conn. Gen. Stat. §§12-217o, 12-217w, 12-217mm)
- Employee Investments (Conn. Gen. Stat. §§12-217g, 12-217x)
- Research and Development Activities (Conn. Gen. Stat. §§12-217j, 12-217n)
- Enterprise Zone Investments (Conn. Gen. Stat. §12-217v)
- Neighborhood/Charitable Assistance (Chapter 228a)

N.B. Restriction on the eligibility of a corporate partner for tax credits (Bell Atlantic NYNEX Mobile, Inc. v. Commissioner, 273 Conn. 240 (2005)/OLR Research Report 2006-R-0206). Contra Conn. Gen. Stat. §§12-217gg (corporate partner in employment expansion project eligible for credit).

# Pass-Through Entity Taxation in Connecticut

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## Penalty Credit Provisions

- Scenario 4(a)
  - Corporation (“C1”) and Individual (“I”) wish to form a joint venture to manufacture in Connecticut
    - C1 is based in Connecticut
    - I is a Connecticut resident
  - They form partnership (“P”) to undertake the manufacturing and engage in research and development (R&D)
  - If P were subject to the Connecticut Corporation Business Tax, it would be entitled to a \$100 R&D credit
  - Result:
    - P is not entitled to claim the R&D tax credit (\$0)
    - C1 is not entitled to claim the R&D tax credit (\$0)
    - I is not entitled to claim the R&D tax credit (\$0)
  
- Scenario 4(b)
  - Corporation (“C1”) and Individual (“I”) wish to form a joint venture to manufacture in Connecticut
    - C1 is based in Connecticut
    - I is a Connecticut resident
  - They form corporation (“CORP”) to undertake the manufacturing and engage in R&D
  - CORP is subject to the Connecticut Corporation Business Tax and is entitled to a \$100 R&D credit
  - Result:
    - CORP is entitled to claim the R&D credit (\$100)
    - C1 is not entitled to claim the R&D tax credit (\$0)
    - I is not entitled to claim the R&D tax credit (\$0)



# Pass-Through Entity Taxation in Connecticut

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## Other Anti-Competitive Connecticut Tax Issues

- **Sales and Use Tax on Business Inputs**
  - Business Analysis and Management/Consulting Services
  - Computer and Data Processing
  - Personnel and Training Services
- **Sales and Use Tax Complexity**
- **Property Tax Compliance in Multiple Towns/Multiple Rules**
- **Disregarded/Regarded Entities**

# Pass-Through Entity Taxation in Connecticut

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## Tax Policy Principles

- Revenue Stability and Sufficiency
- Balanced Revenue Sources
- Structural Stability
- Predictability
- Ease of Compliance
- Fair, Efficient and Cost-Effective Administration
- Consistent Application of Law and Timely Guidance
- Reflect the Global and Local Marketplace

# Pass-Through Entity Taxation in Connecticut

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## Tax Policy Takeaways

- **Eliminate Anti-Competitive Tax Rules/Do Not Penalize Connecticut-Based Businesses**
  - Need for Market-Based Sourcing Rules
  - General Availability of Credits
  - Eliminate Sales and Use Taxes on Business Inputs
- **Consistency in Application to All Businesses Regardless of Form of Tax Laws Regarding Apportionment, Sourcing and Tax Credit Availability**
- **Minimize Complexity**

**Exhibit 9:**  
**2015 Strategic Plan**

**Connecticut**  
*still revolutionary*

2015

# Economic Development Strategy



“Connecticut has always been a birthplace of innovation...  
The question before us now is ‘what’s next?’”  
Governor Dannel P. Malloy, *State-of-the-State Address, January 7, 2015*

## Introductions



Our shared history in Connecticut demonstrates a commitment to new ideas and betterment of the old. From the invention of the sewing machine to decades of leading the insurance industry to the development and production of fuel cells, we in Connecticut have spent centuries showing the world how to improve. From world-ranking productivity to one of the highest levels of foreign direct investment, Connecticut models the attributes that are defining the modern economy. As we move further into the 21<sup>st</sup> century, Connecticut is dedicated to continuing to innovate and live up to our rich history as a national and world leader.

Connecticut's strength starts with its people. We have the third most educated workforce in the nation, as well as the healthiest residents and the highest per capita income. We are a community of forward-thinkers, innovators, and researchers. By aligning education more closely with the needs of the private sector, Connecticut is ensuring that future generations have the skills to transform our world.



Connecticut Rankings in the United States <sup>1</sup>	
Healthy Residents	1 <sup>st</sup>
Share of Finance & Insurance Jobs	3 <sup>rd</sup>
Advanced Degrees per Capita	3 <sup>rd</sup>
State Innovation	4 <sup>th</sup>
Productivity per Capita	4 <sup>th</sup>
Business Research & Development per Capita	5 <sup>th</sup>
Scientists & Engineers per Capita	5 <sup>th</sup>
Energy Efficiency	6 <sup>th</sup>
Venture Capital Deals per 1 Million Residents	7 <sup>th</sup>
Patents per 100,000 workers	7 <sup>th</sup>

Connecticut also possesses an unparalleled quality of life. The abundance of natural resources, extensive network of cultural and creative assets, and variety of communities make Connecticut a great place to live and do business. Our location is ideal for residents and businesses alike, with ready access to

major markets, financial centers, and colleges and universities. Within a one-day drive from Central Connecticut is one-third of the U.S. economy and two-thirds of the Canadian economy, making Connecticut one of the best locations in the nation.

The state of Connecticut has not cultivated its many successes without encountering challenges. The economic recession that began in 2007 caused a serious economic downturn in Connecticut. However, over the past five years, the state has regained nearly all of the private sector jobs lost in the Great Recession.

For the past year, with Connecticut's economic recovery in full swing, the state has been developing and executing a strategic plan. This plan calls for investing in industries, anchor companies, and the quality of life that provide a strong foundation for the state's

<sup>1</sup> Eversource, 2015 Connecticut Economic Review

economy. Many companies in Connecticut participate in national and international trade across various sectors. The Manufacturing Innovation Fund, the Bioscience Innovation Fund, and the Connecticut Port Authority are examples of the recent initiatives coming out of our strategic plan that are helping to expand business opportunities in Connecticut.



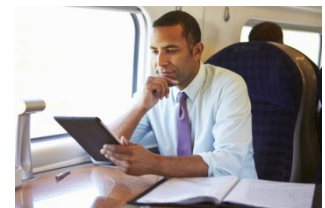
In order to maximize our strengths, the Economic Development Strategic Plan has targeted priority investment areas including healthcare/bioscience, insurance and financial services, advanced manufacturing, digital media, tourism, and green technologies, with attention to how these sectors collaborate and intersect. Within these targeted industries are more specialized areas that show promise for the Connecticut economy including biomedical devices, aircraft manufacturing, and boat building.

The significant planned investment in Connecticut's infrastructure and cities over the next decade will reap many economic benefits. Not only will updated infrastructure make doing business in Connecticut easier, the state's continued streamlining of permitting processes will ensure that businesses are able to focus on creating jobs and increasing capacity. Connecticut is also committed to utilizing and encouraging energy efficiency and alternative energy sources and to the continued betterment of education in the state.

The vision for Connecticut is one of innovation and excellence in people, places and organizations — in other words, vibrancy. This vibrancy will continue to attract talented and creative people and grow businesses. Our attention to, and investment in, the identified strategic areas of talent development, economic growth, and strong communities will be rewarded with long-term stability for our state.

## Strategic Plan

Economic development is most effective when approached with a clear vision, an eye for long-term stability and growth, and a strong plan of execution. While the state needs to continue to manage its finances responsibly and maintain efforts to streamline government, we also must make the required investments to move our economy forward and innovate in ways that will benefit all Connecticut residents. Given that Connecticut has an impressive standing in many areas, this plan builds on our strengths while making changes to address our shortcomings.



## Our Vision

Connecticut ranks among the top quartile of states in economic performance

## Our Mission

Develop and implement strategies to increase the state's economic competitiveness

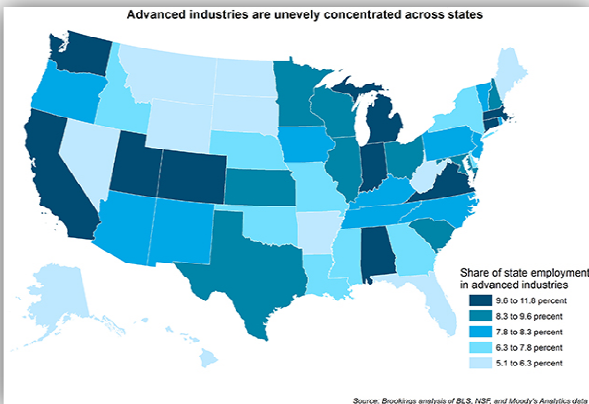


## Our Objective

Build on our established strengths, invest in growth and emerging sectors; differentiate based on our key assets:

- **Grow the Business Clusters that Drive Connecticut's Economy and Encourage Entrepreneurial Development**
  1. Retain and grow our existing job base
  2. Facilitate ecosystems for industries to strengthen, connect, and collaborate
  3. Support entrepreneurial activities
  4. Build exports and encourage foreign direct investment
  5. Promote Connecticut's brand effectively nationally and internationally
- **Ensure a Workforce that Meets the Needs of the Future**
  1. Understand the future needs of employers
  2. With education partners, grow and enrich our talent pool and develop both short and long range initiatives to invest in our institutions around the key STEAM (science, technology, engineering, arts, and mathematics) skills
- **Create Livable, Vibrant Communities**
  1. Create vibrant neighborhoods through innovation, art, culture, and historic preservation
  2. Ensure quality housing at a broad range of prices
- **Invest in Infrastructure and Support Systems that will Foster Business Growth**
  1. Continue to strategically invest in transportation infrastructure
  2. Work to reduce or offset the cost of energy while reducing greenhouse gas emissions
  3. Continue efforts to create a more responsive government that reforms the regulatory environment and makes it easier to do business in the state
  4. Encourage environmentally-friendly, modern, and resilient development

## GROW THE BUSINESS CLUSTERS THAT DRIVE CONNECTICUT'S ECONOMY AND ENCOURAGE ENTREPRENEURIAL DEVELOPMENT



Industry cluster strategies are an important component of a comprehensive economic development strategy. By understanding Connecticut's particular strengths, we can target economic development resources on businesses with the best opportunity to succeed.

The state has developed growth strategies around six industry clusters: health care/bioscience, financial services and insurance, advanced manufacturing, digital media, green technology and tourism. With an increasingly automated world, refined and technical industries will be the centerpiece of the future global economy. Advanced



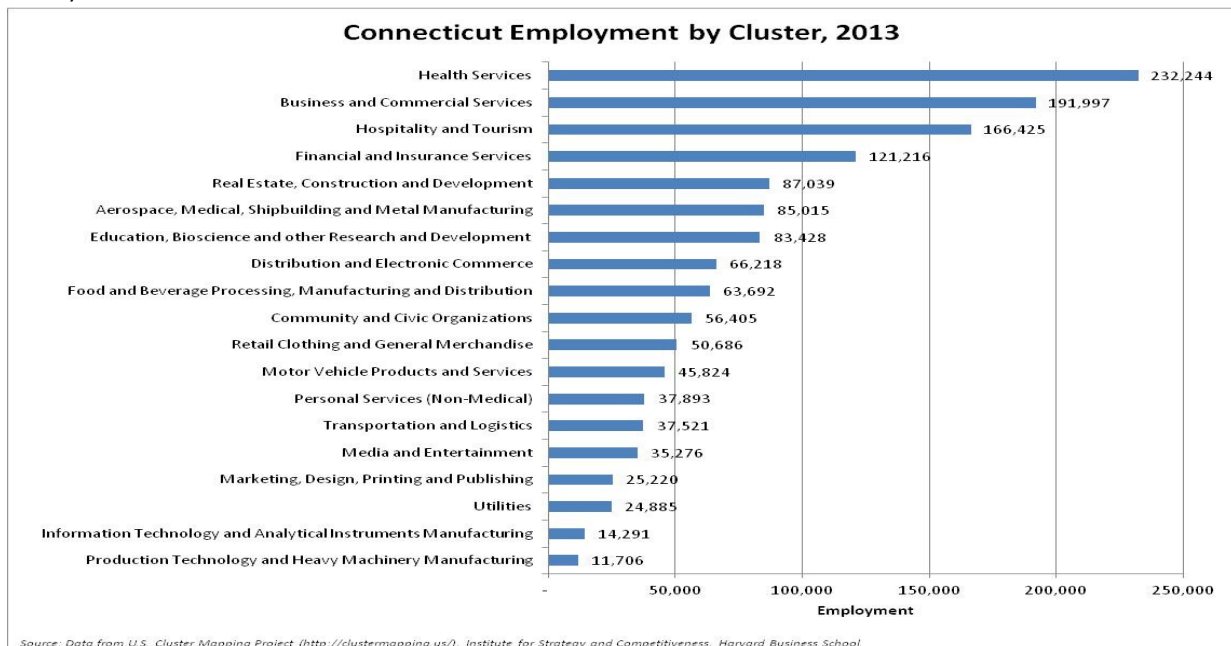
industries, as termed by the Brookings Institute, are those that are research-intensive and utilize science, mathematics, engineering, and technology skills. These advanced industries, like aerospace manufacturing and bioscience, provide strategic opportunities for Connecticut because of high employment concentration. Of the 100 large metropolitan areas with high concentrations in advanced industry employment and related workforce talent, four are in or encompass part of Connecticut.<sup>2</sup>

These strategic targets are based on three key guiding questions:

- 1.) In which areas do we have current size, depth and leadership positions?
- 2.) In which parts of the economy are we likely to see the fastest rates of national and global growth?
- 3.) In which high growth areas do we have the talent and ingenuity to compete?

From the chart below, it's clear that we have strong presence in the health care/bioscience, financial services/insurance, and manufacturing sectors. These three sectors account for 35% of state GDP.<sup>3</sup> Selecting these particular clusters will build upon the considerable strengths of our current employers and university skills.

We must also look to the future to ensure we are investing in areas that are small today, but have growth potential. Thus, emerging opportunities in targeted areas remains a priority.

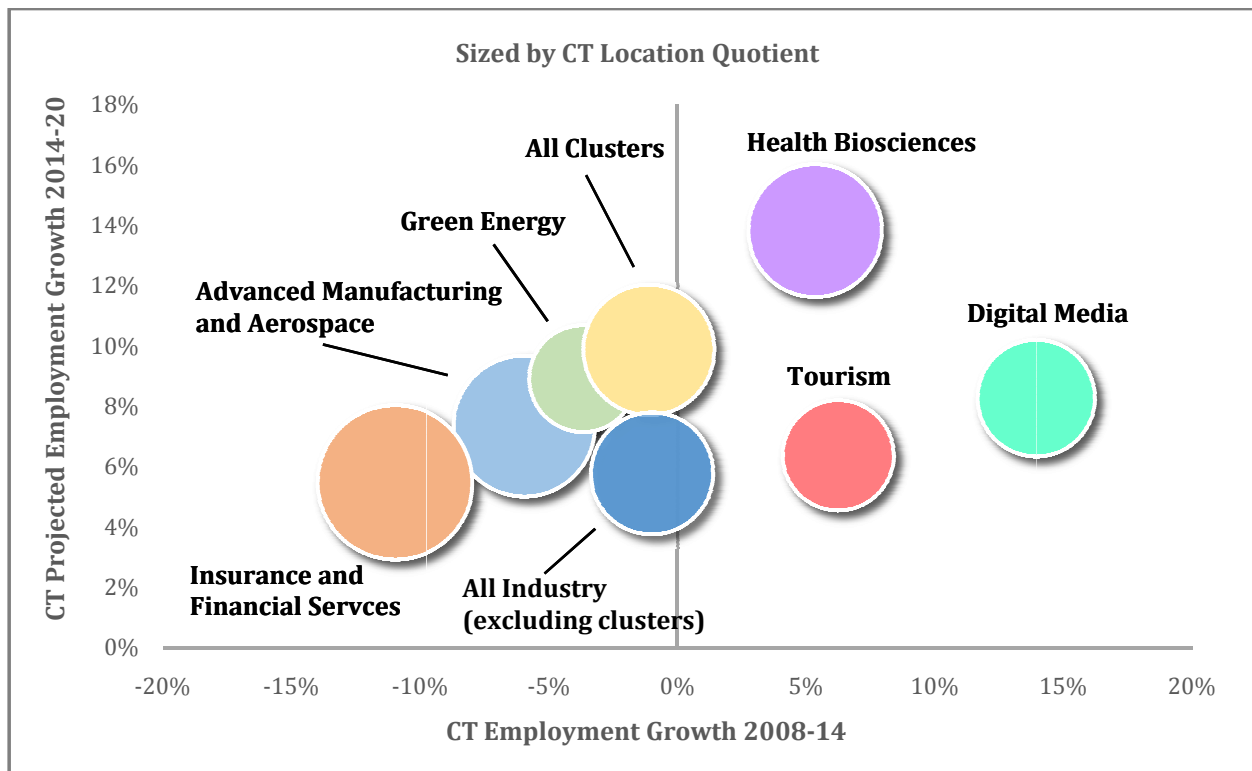


To determine Connecticut's competitiveness in certain industries or clusters, the location quotient (LQ) is used. The location quotient compares Connecticut's density of jobs in a particular occupation in comparison to the national average. Three of the state's six strategic clusters, digital media, green technology, and tourism, had an LQ in 2012 less than one, indicating an opportunity for Connecticut to grow local businesses in these clusters. Our policy goals are geared to growing these clusters to increase their competitive positioning. The other three clusters, insurance and finance, advanced

<sup>2</sup> The Brookings Institute, "America's Advanced Industries," <http://www.brookings.edu/research/reports2/2015/02/03-advanced-industries#/M10420>, (February 2015)

<sup>3</sup> U.S. Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School, 2013

manufacturing, and health and biosciences, had an LQ of more than one, a distinct competitive advantage in the regional economy. Policy goals should protect and enhance these clusters. The chart below shows historic and projected employment growth in the state's six target clusters.



Source: Connecticut Economic Resource Center, 2015

### Clusters by the Numbers

- Total employment for these six clusters grew by 13% from 2004 to 2014 as compared to 9% growth across all industries.<sup>4</sup>
- Total employment in Connecticut for these six clusters is projected to grow by 15% from 824,301 in 2014 to 944,206 in 2024 as compared to 11% growth across all industries.
- Average annual earnings in the six strategic clusters were significantly higher than the state average in 2013 and represented an excellent opportunity for individuals in Connecticut to earn livable earnings. The average annual earnings for the aggregate of these six clusters was \$89,508 as compared to \$65,056 across all sectors.<sup>5</sup>
- The aggregate of exports from these sectors was \$127 billion or 55% of total state exports in 2013. Similarly, the aggregate of sales from these sectors was \$208 billion or 47.3% of total state sales in 2013.<sup>6</sup>

<sup>4</sup> All Business Cluster data came from Economic Modeling Specialists International. Employment data is full coverage meaning it includes QCEW employees, non-QCEW employees, self-employed, and extended proprietors.

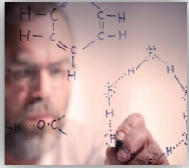
<sup>5</sup> Some NAICS codes used were updated from 2007 NAICS codes to 2012 NAICS codes.

<sup>6</sup> Please note, clusters originally included employment under the NAICS codes of 9271 (Space Research and Technology) and 92613 (Regulation and Administration of Communications, Electric, Gas, and Other Utilities). However due to data constraints, we were unable to include employment data from those industries in the analysis.

Targeted investment of economic development funds in these industry clusters is expected to further develop the state's competitive advantage and foster an increased inflow of resources from abroad.

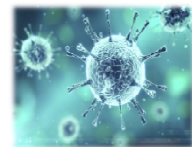
## Overview of Business Clusters

**Healthcare/Bioscience:** Healthcare promises to be a strong driver of employment in the coming decade. Traditional healthcare jobs in healthcare delivery will grow due to the aging of the baby boomers and their need for additional healthcare services. Connecticut also will see growth from its strong position in life sciences (including pharma, medical devices, and genomics) due to the strength of the university research community and the strong array of companies expanding their R&D and manufacturing presence in the state. The cluster's competitiveness is also fueled by the highly effective technology transfer offices at Yale and UConn.



Connecticut's groundbreaking stem cell research legislation of a decade ago provided a platform for Yale, UConn and Wesleyan University to strengthen their position in the top tier of institutions/regions focused on this important field by supporting research and development as well as laboratory infrastructure. The recruitment of The Jackson Laboratory to Connecticut, with its expertise in personalized medicine research, complements research and tech transfer at our top universities and hospitals. Their strong reputation helps to enhance Connecticut's visibility as a global leader in life science research.

Currently, the bioscience cluster in Connecticut is composed of over 50,000 employees at more than 800 companies.<sup>7</sup> This industry is bolstered by Connecticut's educated workforce, with the fifth highest percentage of science and engineering doctorates in the nation.<sup>8</sup> The State of Connecticut demonstrated commitment to facilitating translational research and forward-thinking work in the bioscience field with the creation of the Connecticut Bioscience Innovation Fund (CBIF) in 2013. CBIF is working to invest \$200 million in innovative and promising bioscience research and companies over ten years.<sup>9</sup>



Within the bioscience industry in Connecticut, 28% are biomedical device jobs – a sub cluster that shows promise for strong future growth.<sup>10</sup> Biomedical device development marries two of Connecticut's target industries: healthcare/bioscience and precision/advanced manufacturing.

**Insurance/Finance:** For over one hundred years, the insurance industry has been synonymous with Hartford and Connecticut because of the state's competitive focus on technology; an unyielding commitment to quality and service-excellence for the consumer; a global reach to the consumer and financial markets; and the most educated and experienced financial services employees in the world. In addition to the robust insurance industry, Connecticut benefits from the presence of myriad other financial services organizations, including private equity firms, hedge funds, venture capital firms,

<sup>7</sup> Batelle/BIO State Bioscience Jobs, Investments and Innovation, 2014; The Connecticut Economic Digest, 2012

<sup>8</sup> National Science Foundation, 2014

<sup>9</sup> Connecticut Bioscience Innovation Fund, <http://www.bioinnovationct.com/ctbioscience-fund/>

<sup>10</sup> The Connecticut Economic Digest, Vol. 17, No. 2.

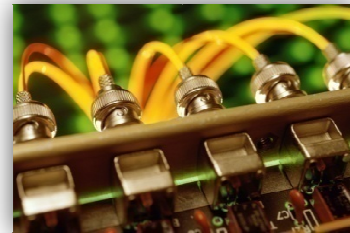
and several national and international banks. The finance subsection of the industry in Connecticut is projected to grow by as much as 30% by 2024.<sup>11</sup>



In 2012, finance and insurance accounted for 16.1% of the state's economy.<sup>12</sup> Connecticut is 3<sup>rd</sup> in the finance and insurance share of total employment in 2014.<sup>13</sup> Approximately 300,000 additional jobs in the state result from activities in the finance and insurance industries.<sup>14</sup> The state is home to financial industry giants such as AETNA, Hartford Steam Boiler, The Hartford, CIGNA, Bridgewater Associates, and AQR Capital Management, as well as many other strong small and midsize organizations like Webster Bank, People's United Bank, and ConnectiCare.

A focus area for Connecticut is continued leadership in the hedge fund, private equity and venture capital industries. The state is currently 2<sup>nd</sup> in assets managed in hedge funds with more than \$300 billion managed by Connecticut firms.<sup>15</sup> Given the strength of this sector and the large amount of data that is gathered by Connecticut companies, there is also growing potential in the data analysis, data management, and cyber security industries in the state as well.

**Advanced Manufacturing:** Connecticut remains robust in manufacturing despite employment growth challenges in the past two decades. Connecticut ranks 5<sup>th</sup> in the states in business R&D invested per capita and 4<sup>th</sup> for workforce productivity.<sup>16</sup> The major global players in this industry such as Electric Boat, Sikorsky, Pratt & Whitney, and Kaman call Connecticut home and are supported by a strong supply chain of more than one hundred aerospace component manufacturers and hundreds of other advanced manufacturing companies.<sup>17</sup>



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<sup>11</sup> Connecticut Economic Resource Center, 2014

<sup>12</sup> U.S. Bureau of Economic Analysis, 2012

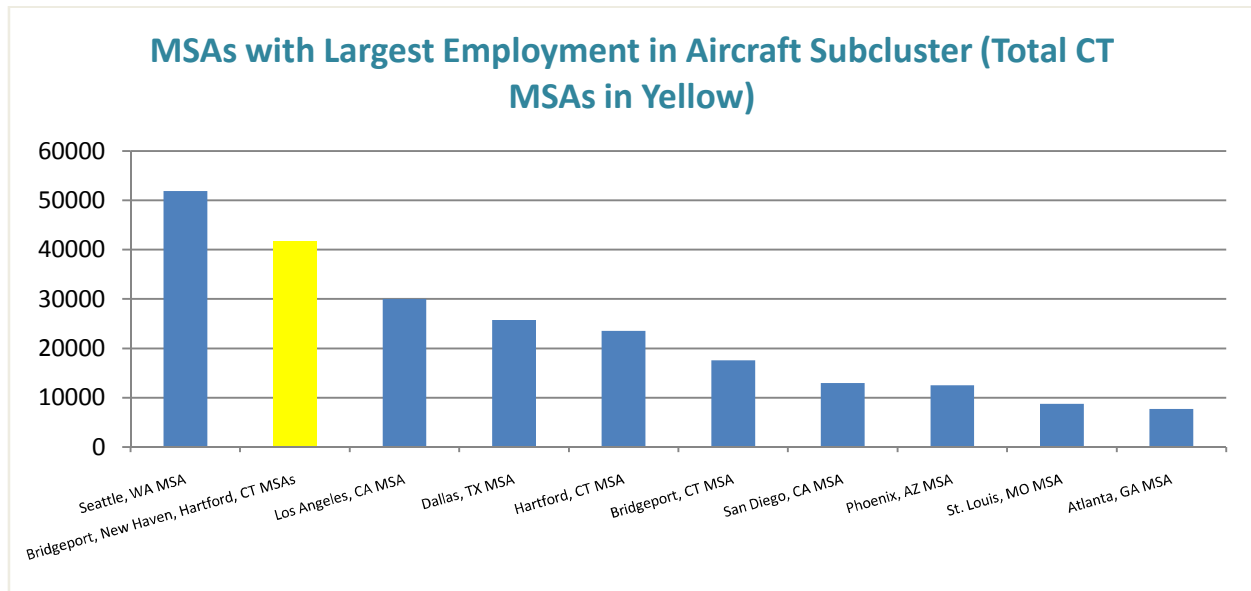
<sup>13</sup> Eversource, 2015 Connecticut Economic Review

<sup>14</sup> U.S. Commerce Department, BEA, "Regional Multipliers" (RIMS II), Third Edition

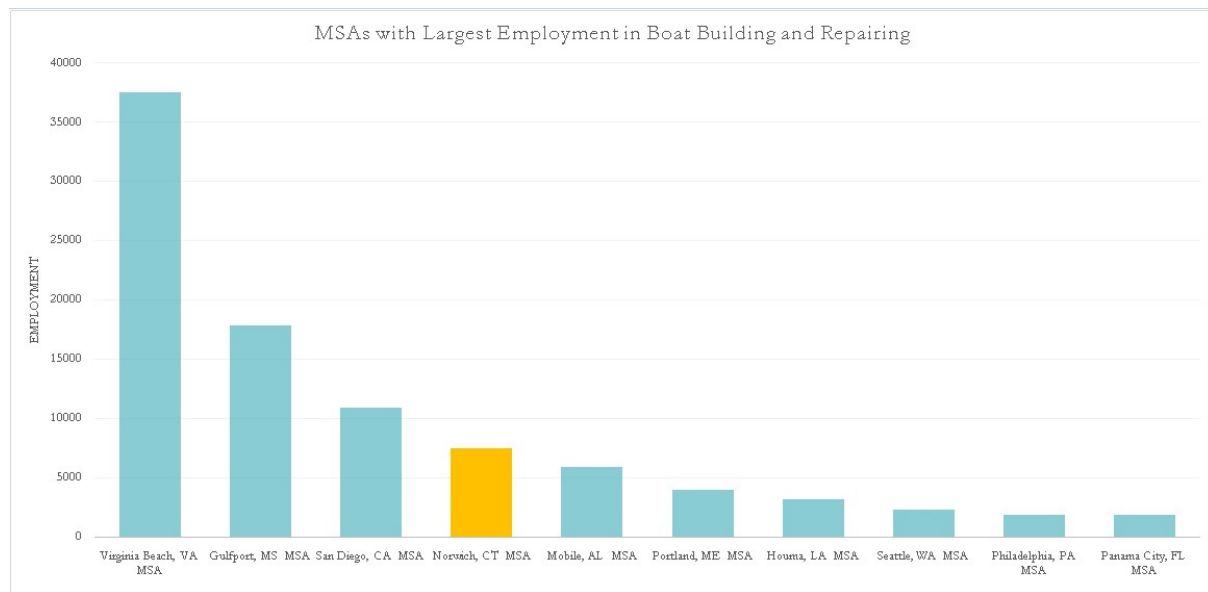
<sup>15</sup> Connecticut Hedge Fund Association, Presentation to Commission on Connecticut's Leadership in Business and Corporation Law, July 2015

<sup>16</sup> Eversource, 2015 Connecticut Economic Review

<sup>17</sup> Aerospace Component Manufacturers (ACM), [ACM Membership List.pdf](#)



Source: Connecticut Economic Resource Center, 2015



Source: Connecticut Economic Resource Center, 2015

The state leads in the fields of advanced manufacturing such as aerospace, additive manufacturing, and underwater defense technology. Aerospace looks to be especially promising in the coming years, as the demand for commercial airplanes has been skyrocketing. As the need for aerospace parts and components have increased Connecticut companies have benefitted, and, in 2014, Connecticut aerospace exports were \$6.9 billion or 43% all exports from the state.<sup>18</sup> The aerospace industry, as well as other manufacturing subsets, have benefitted from a tightly linked group of supply chain companies, many of which comprise the Aerospace Components Manufacturers association.

The State of Connecticut has committed to growing manufacturing through a dedicated \$70 million to fund supports for the manufacturing industry. Through the Manufacturing Innovation Fund (MIF), Connecticut manufacturing companies have the opportunity for

<sup>18</sup> The Connecticut Economic Digest, Volume 20, No. 4

assistance in areas crucial to remaining competitive. The MIF is governed by representatives from industry and assists companies with funding for the most critical demands posed by the rapid growth of the industry: providing incumbent worker training, process improvement support, and new equipment. Connecticut was also recently awarded the Investing in Manufacturing Communities Partnership (IMCP) designation from the Economic Development Administration. This designation will provide the state preference and access to approximately \$1 billion of grant opportunities. The focus is to support the aerospace and shipbuilding industries.

**Digital Media:** This fast-growing creative industry is comprised of numerous production and post-production facilities, digital animation, film, and gaming companies. The field involves the creative convergence of digital arts, science, technology, and business to present information in visually compelling and innovative ways. It constitutes a set of skills that are increasingly relevant in the corporate world, entertainment industry, science and technology realms, mass media, education, and numerous other fields.



Since 2006, average spending in this industry has been \$200 million per year. This increase has been fueled in part by the state's attractive tax credit programs and the arrival of many new industry players. Connecticut is home to many industry giants such as ESPN, NBC Sports, and WWE, as well as television networks such as YES and A&E. Several talk shows and digital movie studios like Blue Sky Studios, a division of 20<sup>th</sup> Century Fox, also are located in the state.

In recognition of the potential of this cluster, the state has supported the creation of two undergraduate degrees being offered by UConn in digital media and design. The degrees are cross-disciplinary programs intended to give students in Connecticut a competitive edge for career success in the rapidly growing job market and to provide employers in the industry access to the required skill sets to further develop their markets.

**Green Technology:** National and global policy attention is being focused on renewable energy and energy efficiency. Connecticut is well positioned to take advantage of these trends building upon the early successes we have seen in this arena. We are a global leader in fuel cells (with 30% of the U.S. jobs and more than 50% of the regional jobs) and energy efficiency.<sup>19</sup> This strategy recognizes our unique position as a leader in this area.<sup>20</sup>



Connecticut has put in place high-level policy to maximize our share of energy-related business growth. The Department of Energy and Environmental Protection (DEEP) developed the first-ever Comprehensive Energy Strategy (CES) for the State of Connecticut—an assessment and strategy for all residential, commercial, and industrial energy issues. When implemented, the CES will move Connecticut toward a cheaper, cleaner, and more reliable energy future while creating thousands of jobs.

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<sup>19</sup> Connecticut Center for Advanced Technology (CCAT), "Final Report: Fuel Cell Economic Development Plan Hydrogen Roadmap," [http://www.ct.gov/ecd/lib/ecd/CCAT\\_Fuel\\_Cell\\_FINAL\\_Plan\\_1-31-08\\_DECD\\_w\\_participants.pdf](http://www.ct.gov/ecd/lib/ecd/CCAT_Fuel_Cell_FINAL_Plan_1-31-08_DECD_w_participants.pdf) (Jan 1, 2008)

<sup>20</sup> "State of the States" Fuel Cells in America 2014," U.S. Department of Energy, Fuel Cell Technologies Office, (December 2014)





The Connecticut Green Bank (formally known as the Clean Energy Finance and Investment Authority or CEFIA) is the first full-scale clean energy finance authority in the nation. It leverages public and private funds to drive investment and scale up clean energy deployment in Connecticut. It does so by offering innovative, low-cost financing such as the C-PACE program to encourage homeowners, companies, municipalities, and other institutions to support renewable energy and energy efficiency.

**Tourism:** Tourism and hospitality represents a \$14 billion industry in Connecticut employing 118,000 people and generating \$1.6 billion in state and local taxes.<sup>21</sup>



According to the World Travel and Tourism Council, tourism is predicted to grow 4.2% annually in the next 10 years worldwide. North American growth is expected to be in the 3.3% range annually over the same period.<sup>22</sup> Connecticut's natural beauty, diverse arts and cultural activities and events, and premier destinations combine to make a focus on tourism a natural fit for our state.

The "still revolutionary" marketing and branding campaign builds on the combined efforts of leading tourism organizations' marketing efforts to comprise the state's primary strategic investment to grow tourism. The "still revolutionary" campaign was launched in the spring of 2012 and in the year following, tourism-related jobs increased by 3%. The sector has been one of the top job generators since the campaign's inception. Additionally, hotel occupancy in the state has grown – an important indicator of a thriving tourism industry.



This marketing effort is also crucial to ensuring that businesses inside and outside of Connecticut are aware that the state is creating a truly competitive business environment. The campaign serves to highlight the state's attention to 1) strong workforce; 2) entrepreneurial activities; 3) programs to support company growth; 4) commitment to fiscal responsibility; and 5) regulatory reforms that enhance business opportunities.

### Facilitating Growth for Companies Small and Large, New and Mature

The state's economic development strategy concentrates on all levels and sizes of business in order to accelerate our economic recovery. The state will continue to leverage its financial and technical resources to assist companies from startup phase through maturity. In addition to strategies aimed at assisting various types of businesses with challenges specific to their operations, the state is active in ensuring that supports are made available that assist all businesses, like affordable high-speed internet.



Research shows that small companies, in comparison to young companies, produce the most new jobs in an economy. Connecticut ranks 7<sup>th</sup> in the nation in patents per 100,000 residents - a good indicator

<sup>21</sup> "The Economic Impact of Tourism in Connecticut: For Calendar Year 2013," Tourism Economics, Wayne, PA

<sup>22</sup> World Travel and Tourism Council, *Travel and Tourism Economic Impact 2014*

of the state's innovative potential.<sup>23</sup> However, Connecticut ranks 44th in terms of the number of stage 2 companies (with 10–99 employees) per capita and 34th in terms of the number of startup companies (1-9 employees) per capita in the nation.<sup>24</sup> Thus, while Connecticut has a long history of innovation and patent creation, it is currently not demonstrating the follow-through in bringing these new ideas to market. Therefore, there is much opportunity for more entrepreneurial activity in the state. The State of Connecticut's strategy focuses on initiatives, investments, and assistance that will increase the chances of success for young companies by providing timely access to appropriate resources, including market and product expertise, talent, capital, and ideas.

Connecticut Innovations (CI), a quasi-governmental organization created in 1989 to provide strategic and operational insight to companies to push the frontiers of high-tech industries such as energy, biotechnology, information technology and photonics, plays a key role in the deployment of the state's efforts toward supporting innovation and entrepreneurship. This entity was one of the first early stage investment agencies developed by a state in the country. Since 1995, CI has made more than \$242 million in equity and risk capital investments, leveraging more than \$1 billion in private capital.



To further support entrepreneurs, the Department of Economic and Community Development (DECD) and CI have created an Innovation Ecosystem called CTNext. CTNext is providing the infrastructural underpinnings of Connecticut's innovative ecosystem, such as hubs where people of diverse backgrounds and interests interact with one another. These hubs are comprised of programming like mentor networks, community events, and access to technical support from universities and other professional individuals and organizations. CTNext is working with entrepreneurship stakeholders to create collaborative, vibrant, and innovative communities that help young companies grow and create good jobs in Connecticut.

Connecticut's economy is reliant on companies of various sizes and ages to ensure a stable long-term economy. The Small Business Express Program (EXP) provides funding and technical assistance to Connecticut's main street small businesses to spur job creation and economic growth. Additionally, the state provides financial and technical assistance to mid-large companies in our targeted clusters that are investing in growing their businesses. Outside Connecticut's borders, the state has worked to attract companies whose business needs fit well with the strengths of our economy.

### Exports and Foreign Direct Investment

Exports are an engine of growth for Connecticut companies accounting for \$15.94 billion, which was 6.85% of GDP in 2014.<sup>25</sup> The state, through DECD, works closely with its partners at the federal and regional level to provide support services and programs to help Connecticut companies take advantage of opportunities in the global marketplace by diversifying their customer base and their revenue streams.



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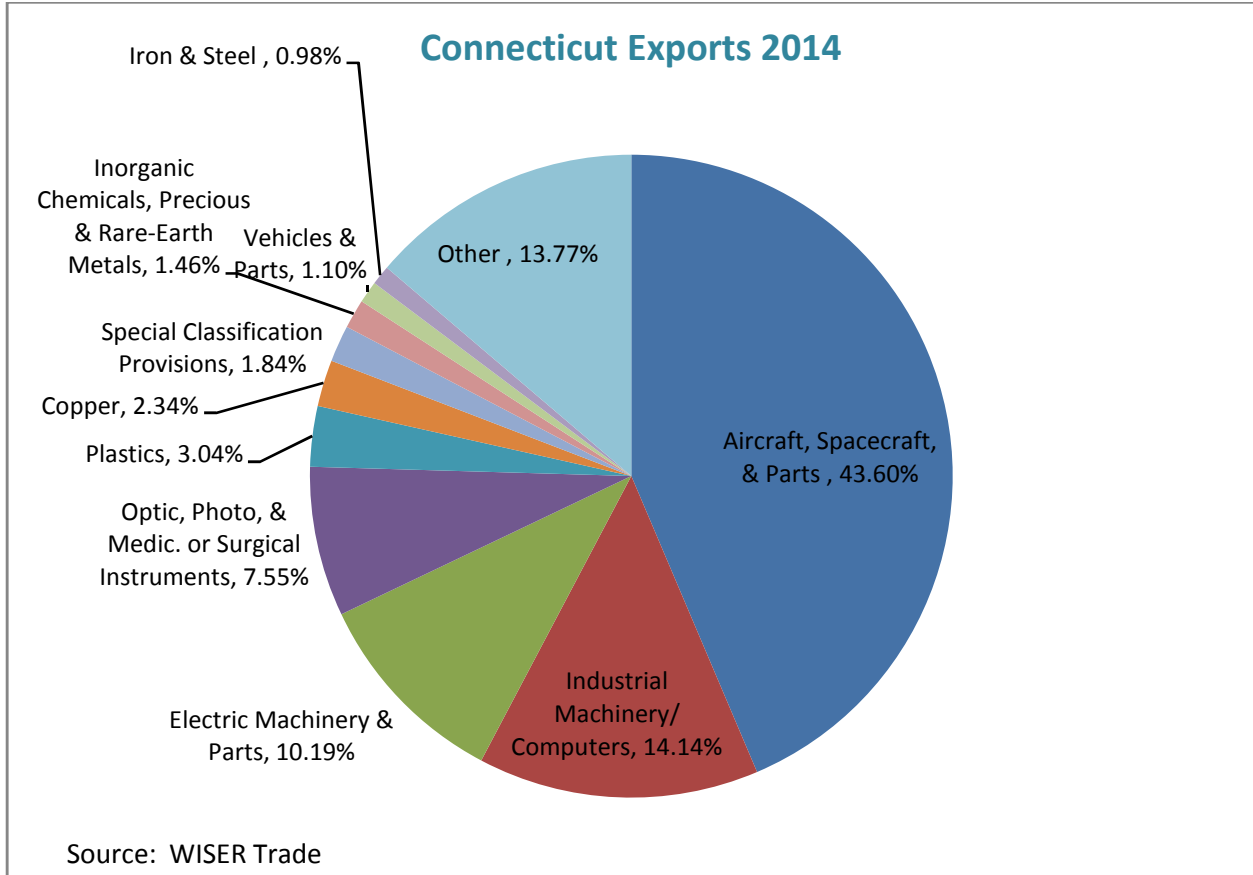
<sup>23</sup> Eversource, 2015 Connecticut Economic Review

<sup>24</sup> CTC, *The Connecticut Competitiveness Project*, Executive Summary, <http://www.slideshare.net/CTTech/study-reports-connecticut-risks-losing-its-fastest-job-growth-technology-firms> (January 5, 2011)

<sup>25</sup> World Institute for Strategic Economic Research (WISER), <http://www.wisertrade.org>; U.S. BEA



Encouraging foreign-owned companies to establish or expand operations in Connecticut is equally important, as they employ 102,600 and invest \$14 billion annually.<sup>26</sup> A study by Business Roundtable shows the dramatic impact globally engaged companies have on the state's economy. These companies account for 49% of the state's private sector output and directly or indirectly support 850,900 private sector jobs.<sup>27</sup>



The state has launched an effort to proactively promote Connecticut abroad as the destination of choice. This strategy is a targeted approach directed to attract prospects from China, Germany and northern Europe, Israel, and Brazil in particular to explore the potential to establish a presence in the state. Currently, Connecticut's biggest export partners are France, Canada, Germany, Mexico, and the United Arab Emirates.

The Connecticut Port Authority, which was enacted by statute in 2014 and 2015, will provide improved opportunities for trade with national and international partners. The Connecticut Port Authority will begin its work in 2015 and will focus on increasing the trade viability of Connecticut's ports through strategic marketing and economic development. Combined with the improved infrastructure from the projects that will be undertaken over the next several decades, the state is making investments to ensure that Connecticut becomes a hub for exporting and importing goods.

<sup>26</sup> U.S. BEA, 2011 employment data, Gross Property, Plant, and Equipment series discontinued after 2007

<sup>27</sup> The Business Roundtable, *Globally Engaged U.S. Companies Drive Jobs and Investment in Connecticut* (September 2013)

**GROW THE BUSINESS CLUSTERS THAT DRIVE CONNECTICUT'S ECONOMY AND ENCOURAGE ENTREPRENEURIAL DEVELOPMENT**

**Retain and grow our existing job base**

<b>Action</b>	<b>Responsibility</b>	<b>Metrics</b>
<p>Work to ensure companies within the state retain and grow their workforce</p> <ul style="list-style-type: none"> <li>• Outreach Program tiered approach                             <ul style="list-style-type: none"> <li>▪ Top 100 businesses</li> <li>▪ Top 10 business by industry segment</li> <li>▪ Top regional businesses</li> </ul> </li> <li>• Promote state programs/state through PR, partners</li> </ul> <p>Leverage existing &amp; create industry, education and economic development organization relationships</p>	DECD as lead	<ul style="list-style-type: none"> <li>• # of jobs created/retained</li> <li>• # of companies retained</li> <li>• \$ amount of private investment leveraged</li> <li>• State GDP</li> <li>• State employment level</li> </ul>

**Facilitate ecosystems for industries to grow and connect**

<ul style="list-style-type: none"> <li>• Focus on creating structure for assistance in manufacturing and iterative prototyping for manufacturers, including biomedical devices</li> <li>• Provide support to strengthen supply chains for manufacturing including biomedical and shipbuilding</li> </ul>	DECD/ Industry associations/ Bioscience and manufacturing companies	<ul style="list-style-type: none"> <li>• \$ invested in iterative processing facilities and assistance</li> <li>• # of CT manufacturers engaged in supply chains</li> </ul>
Provide better assessment and support for financial firms, with particular focus on non-insurance firms and those located in southeastern CT	DECD/ Industry associations	<ul style="list-style-type: none"> <li>• # of members in industry associations</li> <li>• # of attendees at events/conferences targeted to industry</li> </ul>
Continue to engage in regional initiatives aimed at strengthening aerospace and defensive shipbuilding	DECD	<ul style="list-style-type: none"> <li>• # of regional initiatives/events</li> </ul>

**Strengthen Connecticut's national and global position**

<p>Domestic recruitment efforts will focus on recruiting companies to Connecticut by:</p> <ul style="list-style-type: none"> <li>• Careful research to target specific, well-suited businesses</li> <li>• Working with CT companies to leverage the supply chain to identify targets outside the state</li> <li>• Recruit at appropriate industry forums</li> <li>• Branding CT in the U.S. market</li> </ul>	DECD and U.S. Commerce Department for export support	<ul style="list-style-type: none"> <li>• # of new business opportunities brought to CT</li> <li>• # of new jobs created</li> <li>• \$ amount of new private investment, including FDI</li> <li>• Tonnage at CT ports</li> </ul>
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**Spur innovation**

Execute CI strategies to support startups with expertise and capital	Connecticut Innovations	<ul style="list-style-type: none"> <li>• # of companies served</li> <li>• # of jobs created</li> <li>• ROI on equity investments</li> <li>• Leveraging of private \$</li> <li>• Leveraging of federal \$</li> </ul>
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Implement the Innovation Ecosystem to drive new entrepreneurial activity across all sectors	Connecticut Innovations/ DECD	<ul style="list-style-type: none"> <li>• Level of new company formation</li> <li>• # of companies served by CTNext</li> <li>• # of jobs created</li> <li>• # of patents issued in the state</li> </ul>
<b>Promote Connecticut's brand to drive economic growth</b>		
Continue to support the "still revolutionary" brand	DECD	<ul style="list-style-type: none"> <li>• Impact of advertising as measured by # views, # of click-throughs, survey results</li> <li>• Tourism visits</li> <li>• Perception of CT as a tourist destination and business location</li> <li>• Hotel occupancy and ADR</li> </ul>

**ENSURE A WORKFORCE THAT MEETS THE NEEDS OF EMPLOYERS**

A productive and innovative workforce is repeatedly cited by companies as the most important factor in their location decisions. With talent as a key draw for businesses in the state, we must ensure that a high quality and creative workforce is in place and that it grows and responds to the changing needs of our businesses.

The state is addressing immediate skills challenges, disparities in educational attainment and long-term demographic changes that will impact our workforce. Additionally, with the increasingly technical nature of jobs across all sectors, many Connecticut organizations are evaluating how best to attract and retain individuals with the necessary technical skills and capabilities.



The state recognizes that a multi-tiered approach to developing a workforce and providing the skills needed to meet the market demand is required. A strong partnership amongst education, the training delivery system, and industry is essential. An example of this is the investment of \$20 million in the Advanced Manufacturing Centers at four of the Connecticut community colleges. This investment was a direct result of manufacturers indicating that they were struggling to find talent with manufacturing skills. Additionally, \$15 million in federal funding has been leveraged in three additional community colleges to purchase additional equipment and provide more training at these centers.



In 2013, the state made an extraordinary investment in these initiatives. While other states were cutting their higher education budgets, Connecticut committed more than \$1 billion to UConn's STEAM programs, recognizing that the workforce of the future will be data-driven. Through this 10-year effort, the state will add 70% more seats to its engineering school, a new campus for digital media, and an expansion of R&D throughout the university. This unprecedented investment will ensure the talent required by future businesses will be met.

The newest investment in workforce development is the Connecticut Early College Opportunities (CT-ECO) program. The CT-ECO program provides public school students with the opportunity to receive concurrent high school diplomas and associate's degrees in targeted areas in 4-6 years, at no cost to the student. These programs are each tightly aligned with local industry partners like IBM and Electric Boat, and students are first in line for jobs with partner organizations upon completion of the program. As of Fall 2015, there

will be four CT-ECO programs in Connecticut with programs in technology, manufacturing, and financial services.



The Manufacturing Innovation Fund (MIF) is also working to address the needs of and gaps in the Connecticut workforce. Based upon the input of industry leaders on the Advisory Board of the fund, MIF is providing funding to manufacturing companies for a variety of needs, but there is an emphasis on workforce development, including incumbent worker training and apprenticeship programs.

<b>ENSURE A WORKFORCE THAT MEETS THE NEEDS OF THE FUTURE</b>		
<b>Understand the current and future needs of employers</b>		
<b>Action</b>	<b>Responsibility</b>	<b>Metrics</b>
<ul style="list-style-type: none"> <li>• Create training programs to meet current gaps in our talent pool</li> <li>• Use partners such as CETC, DOL and employer groups to evaluate future needs of the employers in the state, with a special emphasis on our targeted clusters and highest unemployment areas</li> </ul>	DOL, CETC, DECD, CI	<ul style="list-style-type: none"> <li>• # of job placements</li> <li>• Unemployment levels</li> <li>• #of training programs in targeted skills and geographic areas</li> </ul>
<b>With education partners, grow and enrich our talent pool to address any current gaps</b>		
<ul style="list-style-type: none"> <li>• Expand manufacturing technology programs and grow engineering capacity in community colleges</li> <li>• Assess other areas (such as healthcare, insurance/financial services, and information technology)</li> </ul>	Community Colleges, Technical Schools, UConn, Private colleges and universities	<ul style="list-style-type: none"> <li>• # of graduates</li> <li>• # of placements</li> </ul>
<b>Develop longer range initiatives to invest in our institutions around the key STEAM skills</b>		
<ul style="list-style-type: none"> <li>• Partner with education to offer STEAM courses to address employer needs</li> </ul>	UConn, K-12, Technical Schools	<ul style="list-style-type: none"> <li>• Measure success of UConn STEAM programs</li> <li>• Engage businesses for their feedback</li> <li>• Measure success of CT-ECO program</li> </ul>

## **CREATE LIVABLE, VIBRANT COMMUNITIES**

Much of the American landscape is a sea of industrial, agriculture, and suburban subdivisions dotted with office parks and strip malls. In contrast, there is not a single town or village in Connecticut that is like anywhere else in Connecticut or anywhere else in the country. Each has its own history, shaped by the numerous ethnic nationalities who settled

there, with unique architecture and cultural venues, one-of-a-kind shops and restaurants, and exceptional characters, living and dead, who have left their marks, etched into buildings and onto the landscape. This depth of local character is a significant source of our current and future economic advantage, because the mobile young talent who will fuel the creation of the next economy value authentic places that offer opportunities for inspiration, connection, and personal impact.



Diversity of people is also a critical prerequisite to communities that inspire and encourage innovation. In order to ensure that investments made by the state are reaching a wide variety of Connecticut residents, the Small Business Express program is emphasizing assistance to minority- and women-owned businesses. We need to ensure that we continue to use state policy to ensure success for all types of people in our many great communities.

Investing in our state's creative economy and impressive arts infrastructure will advance the attractiveness and competitiveness of Connecticut cities, towns, and villages as meaningful communities in which to live, work, learn, and visit. Creative enterprise is an essential component of Connecticut's mission to develop and implement strategies to increase the state's economic competitiveness. The non-profit arts sector in Connecticut, for example, contributes more than \$650 million in direct industry expenditures and supports more than 18,000 full time equivalent jobs.<sup>28</sup>

Through its grants and technical support, the Department of Economic and Community Development is helping to strengthen organizations in the arts and culture sector, thereby enhancing each community's competitive edge, bridging the social and economic divide, creating rich and meaningful experiences for residents and visitors, helping communities define and celebrate their distinct assets, and contributing to the development and retention of a creative workforce. The Department of Economic and Community Development is also currently managing a portfolio of more than \$200 million in capital projects, including more than \$50 million for arts and cultural organizations.



To help businesses create and retain jobs, quality housing choices are necessary. Affordable and workforce housing, particularly in and around transportation networks will serve as a building block for our future growth. The Department of Housing, along with the quasi-governmental agency the Connecticut Housing Finance Authority (CHFA), is investing over \$500 million to help leverage private sector funding for the creation of thousands of new housing units throughout the state. Additionally, a \$15 million pre-development and acquisition loan fund has been developed by CHFA, DECD, and the Local Initiatives Supportive Corporation (LISC) to encourage higher-density, mixed-use development near existing and new transit hubs to create more livable, walkable communities, and to expand access to jobs and housing.

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<sup>28</sup> Americans for the Arts, Arts & Economic Prosperity IV, National economic impact survey in CT. The reported figures represent direct expenditures of reporting nonprofit organizations and their audiences in 2010 (approx. 29% of the state's arts and cultural agencies reported)

CREATE LIVABLE, VIBRANT COMMUNITIES		
Integrate arts/culture and preservation with economic development		
Action	Responsibility	Metrics
<ul style="list-style-type: none"> <li>Focus arts grants and historic preservation grants on projects that catalyze economic and community development and support the existing arts and culture infrastructure</li> </ul>	DECD	<ul style="list-style-type: none"> <li># of historic structures preserved</li> <li>\$ of federal and state historic tax credits</li> <li>\$ granted for arts awards</li> </ul>
<ul style="list-style-type: none"> <li>Encourage enhanced integration of arts into economic development initiatives</li> </ul>	DECD/ Regional and local arts and tourism organizations	<ul style="list-style-type: none"> <li>Increased traffic at arts attractions</li> <li># of jobs created in arts sector</li> </ul>
Ensure quality housing at a broad range of prices		
Action	Responsibility	Metrics
<ul style="list-style-type: none"> <li>Implement the \$500M commitment to build new and renovate existing workforce and affordable housing</li> </ul>	DOH/CHFA	<ul style="list-style-type: none"> <li># of new affordable units</li> <li># of market-rate units in targeted locations</li> <li># of new supportive units</li> </ul>

## INVEST IN THE INFRASTRUCTURE AND SUPPORT SYSTEMS THAT WILL FOSTER BUSINESS GROWTH



The state's comprehensive approach to economic development looks beyond direct financial assistance programs. It focuses on areas such as transportation infrastructure, energy policy and government efficiency, which all contribute to making Connecticut a more competitive place to do business.

### Transportation Infrastructure Efforts

In 2015, Governor Malloy unveiled a 30-year, \$100 billion [plan](#) to update and improve Connecticut's infrastructure. Included in the plan are increased speed, access, and frequency of rail and freight transportation within Connecticut but also to major regional hubs like New York, Boston, Philadelphia, and Montreal.<sup>29</sup> Additionally, the plan will widen existing interstate highways, such as I-84 and I-95, at key points, as well as additional upgrades to Bradley International Airport.<sup>30</sup> The many projects and upgrades included in the transportation plan are aimed at making Connecticut's infrastructure safer, creating more diverse modes of transportation, reducing carbon emissions, improving quality of life for residents, and making it easier for businesses to transport people and goods.



New transportation infrastructure investment holds the promise of revitalizing areas of the state serviced by rail and rapid transit. Our most significant commuter rail corridor,

<sup>29</sup> "Let's Go CT! Connecticut's Bold Vision for a Transportation Future," [http://www.ct.gov/dot/lib/dot/documents/dcommunications/ctdot\\_30\\_yr.pdf](http://www.ct.gov/dot/lib/dot/documents/dcommunications/ctdot_30_yr.pdf) (February 2015), Page 15  
<sup>30</sup> "Let's Go CT! Connecticut's Bold Vision for a Transportation Future," Page 32



from New Haven to New York, is the beneficiary of many upgrades currently in operation or soon to be in place. Additionally, the New Haven Hartford Springfield (NHHS) Rail project will dramatically increase passenger rail in the corridor starting in late 2016 or early 2017. The entire region from New York to Montreal will benefit from this and related investments in the next decade. Travel times will be cut, and there will be peak service every 30 minutes once the project is complete.

CTfastrak is a Bus Rapid Transit System – the first in Connecticut's history – that serves communities between New Britain and Hartford. Ridership on CTfastrak has surpassed initial estimates, and the system will be expanded in East Hartford and Manchester. All these transportation projects bring the potential for transit-oriented development around transit stops.

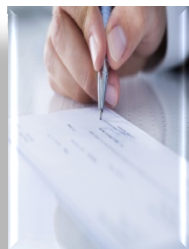


### Smart Growth for Towns and Cities

“Smart growth,” including sustainable development, brownfield redevelopment, historical preservation and renovation, and transit-oriented development, helps communities attract businesses and workers. These new approaches to land-use planning, transportation, housing, environment and human needs will be integrated into our strategy and action plans in a way that makes them integral to our future economic activity. By leveraging previous investments in infrastructure with new developments and remediation, existing assets can be utilized in new and creative ways. In turn, we can achieve the goal of making our urban centers net contributors to economic growth in the state, reversing their lagging performance in recent decades.

Connecticut is now embracing these new approaches to development to meet the needs of the new economy and its workforce. Three regions of the state won highly competitive U.S. Housing and Urban Development (HUD) grants under the sustainable communities program in the past two years. Only 45 awards were made nationwide. These grants dovetail well with the current efforts at the state level of DECD, DEEP, and the Department of Transportation (DOT) to direct future investments of state funds in a coordinated fashion consistent with sustainable community goals.

Over two decades, since the term “brownfield” was first applied to environmentally



challenged properties, Connecticut has continuously developed increasingly beneficial public policies and tools to address regulatory and liability issues and the financial costs associated with remediation and reuse. Since 2012, Connecticut has invested approximately \$125 million in brownfield properties across the state, helping to prepare more than 14,000 acres of land for development across more than 100 projects. The continued investment in redeveloping brownfield properties is expected to grow, given the current leveraging of \$4 of non-state investment for every \$1 in public funding spent on these important projects. The State of

Connecticut has also developed a suite of liability relief programs to further ensure long-term investments in remediation and redevelopment of brownfield properties.

With the new investments in transportation that have recently been made in Connecticut, like CTfastrak, and those to come with the invigorated transportation plan set forth by Governor Malloy in 2015, transit-oriented development is becoming an increasingly important strategic component. As Connecticut's transportation infrastructure is diversified and improved, the state is committed to facilitating development that is strategically aligned with the important needs of its residents, including access to public transportation,

walkability, and ease of access to necessary goods and services. Connecticut is also making significant investments in infrastructure and other capital projects in cities and towns throughout the state, including utility and sewer expansion, streetscape improvement, and new construction projects.

## Comprehensive Energy Policy

In 2013, the Governor and the Department of Energy and Environmental Protection created the [Comprehensive Energy Strategy](#) for the State of Connecticut. At the heart of the strategy is a series of policy proposals aimed at creating cleaner, cheaper, and more reliable energy sources for the state.

The plan uses limited government resources to leverage private capital and increase the flow of funds into energy efficiency, renewable power, natural gas availability, and a 21st century transportation infrastructure that promotes mobility options, transit-oriented development, and market-based opportunities for clean fuels and clean vehicles. It identifies natural gas as a bridge to a truly sustainable energy future, and puts forward a seven-year game plan for expanding access to natural gas across Connecticut with a goal of providing nearly 300,000 Connecticut homes, businesses and other facilities with an energy choice that includes natural gas. The strategy calls for an expanded commitment to “all cost-effective” energy efficiency efforts. These revised energy provision strategies have also yielded environmental benefits by lowering emissions from electricity production. Since 2007, the increased usage of natural gas has led to a 71% reduction in nitrogen oxides, 95% decrease in sulfur dioxide emissions, and 28% reduction in carbon dioxide emissions in New England.<sup>31</sup>

To ensure reliability, the state is also investing in “micro-grids” that allow off-grid generation of electricity for critical services and businesses. Together these efforts have resulted in a 12% decline in energy costs for the state – and more reductions are expected as the strategy is executed. Additionally, the Connecticut Green Bank administers programs like C-PACE that will continue to provide opportunities for lowering energy costs.

## LEAN and Reducing Regulatory Complexity

The State of Connecticut is committed to transform its government agencies to deliver enhanced service to its constituents while keeping cost under control. To this end, all agencies are engaged in applying LEAN principles and practices to identify improvement opportunities in the way they do business and deliver services. As these agencies continue to track toward leaner, more efficient organizations, they will in turn be better positioned to pass those improvements to businesses and communities around the state. Shortening turnaround times, making it easier to get answers, and creating simpler more comprehensible programs are all goals of the LEAN effort. These efforts are already paying off for constituents:

- DEEP now issues 90% of its permits in 60 days
- DOT's State Traffic Commission has streamlined the process for permits reducing processing time 83%, with 70% of applications now being improved in 30 days or less
- DECD's Brownfield Remediation Department has reduced the time from the announcement of funding for a project to closing the contract on that project by over 68% from 2013 to 2015



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<sup>31</sup> CT Department of Energy and Environmental Protection, May 2015.



In October 2013, the Governor issued Executive Order 37, calling for a review of all regulation in the state. Inviting the public to provide input, he also instructed all agencies to evaluate their regulations with an eye to streamline and simplify wherever possible. Recommendations were made to the Governor early in 2014, resulting in nearly 1,000 pages of superfluous sections of code removed from the Connecticut regulations.

<b>INVEST IN THE INFRASTRUCTURE AND SUPPORT SYSTEMS THAT WILL FOSTER BUSINESS GROWTH</b>		
<b>Continue efforts to create a more responsive government that remakes the regulatory environment and makes it easier to do business in the state</b>		
<b>Action</b>	<b>Responsibility</b>	<b>Metrics</b>
<ul style="list-style-type: none"> <li>Continually review regulatory processes and procedures to maximize efficiency and effectiveness</li> </ul>	State agencies	<ul style="list-style-type: none"> <li>Customer satisfaction</li> <li>Time to complete permitting processes</li> </ul>
<b>Work to reduce the cost of energy</b>		
<b>Action</b>	<b>Responsibility</b>	<b>Metrics</b>
<ul style="list-style-type: none"> <li>Execute the Comprehensive Energy Strategy that will provide cheaper, cleaner, more reliable energy</li> </ul>	DEEP	<ul style="list-style-type: none"> <li>Cost of energy and distribution</li> <li>Energy outages</li> <li>Improvement in CO<sub>2</sub> outputs</li> </ul>
<ul style="list-style-type: none"> <li>Launch a campaign to reduce energy costs for residents and businesses while reducing our greenhouse gas emissions, especially industrial manufacturers through C-PACE</li> </ul>	CT Green Bank	<ul style="list-style-type: none"> <li># of transactions</li> <li>Capital invested</li> <li>Energy savings</li> <li>Payback, NPV, IRR, SIR, and cash flow</li> <li>Reduction in CO<sub>2</sub> emissions</li> </ul>
<b>Continue to strategically invest in transportation infrastructure</b>		
<b>Action</b>	<b>Responsibility</b>	<b>Metrics</b>
<ul style="list-style-type: none"> <li>DOT to invest to improve transportation systems in the state</li> </ul>	DOT	<ul style="list-style-type: none"> <li>Delivery of transportation projects on time and budget</li> </ul>
<b>Encourage environmentally-friendly, modern, and resilient development</b>		
<ul style="list-style-type: none"> <li>Continue investments to make brownfields into usable and productive properties</li> </ul>	DECD with DEEP support	<ul style="list-style-type: none"> <li># of brownfield projects funded</li> <li># of redeveloped brownfields in state</li> </ul>
<ul style="list-style-type: none"> <li>Transit-Oriented Development: Work with municipalities to develop a plan for the rapid transit systems in the state (ex: CTfastrack and the New Haven–Springfield line)</li> </ul>	DOT, DECD and TOD cross-agency team (led by DECD)	<ul style="list-style-type: none"> <li>Engagement of towns in TOD work on rails/busways; development and execution of plans in TOD</li> </ul>

# **Economic Development Strategic Plan**

## **APPENDIX**

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## I. Review and Analysis of Factors that Impact Economic Development and Responsible Growth

In this appendix, DECD provides the background information to support our strategic plan. This section lays out information on Connecticut's economic infrastructure — areas like transportation, housing and workforce that provide the underpinnings for economic growth and prosperity. In addition, information required by the General Assembly is presented.

### 1. Transportation

Transportation systems are critical to the well being of individuals, the productivity of businesses, and in general the overall health of economies. Transportation provides the means for commuting to work, the purchase and delivery of goods, and recreational opportunities.

Connecticut's transportation strategy is embodied in a February 2015 release by the Department of Transportation (DOT) following the Governor's announcement of a multi-faceted, 30-year plan for transforming Connecticut's entire transportation infrastructure system encompassing all modes of transportation: highways, buses, bike- and walk-ways, rail, aviation, and ports.<sup>32</sup> The two-part transportation plan consists of: (1) a five-year ramp-up that utilizes \$10 billion in capital funding, and leads up to (2) a 30-year vision utilizing a proposed \$100 billion in funding.

What follows are some highlights of Connecticut's existing transportation system. This section considers the bus system, highways, aviation, ports and ferries, as well as passenger and freight rail and greenways.

#### Connecticut's Bus System

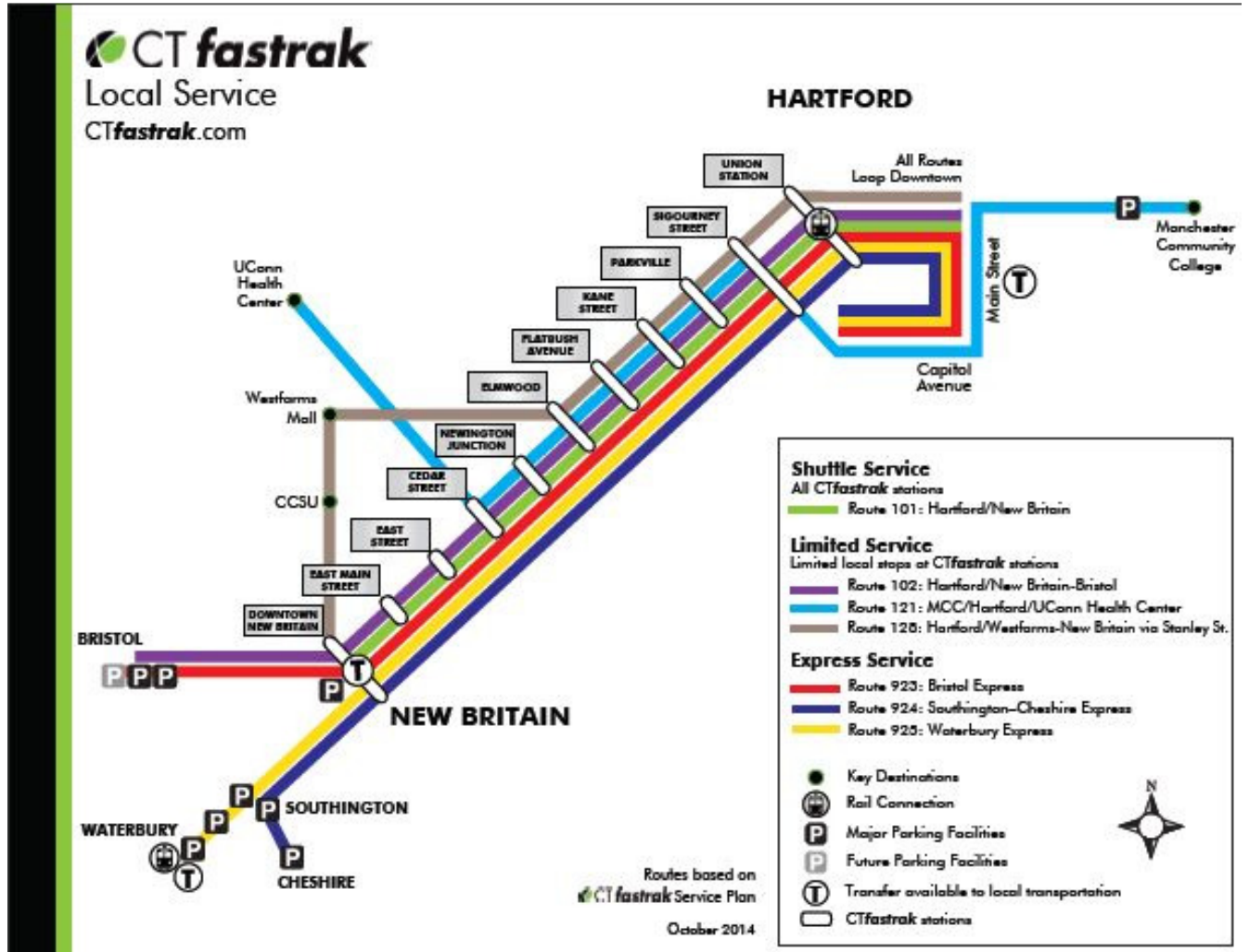
Connecticut's bus system is a vital component of the overall transportation infrastructure. DOT's Bureau of Public Transportation, through the Office of Transit and Ridesharing, oversees and financially supports bus and ridesharing services. In March 2015, CTfastrak, (formerly known as the New Britain-Hartford busway) became the state's first Bus Rapid Transit (BRT) system offering high capacity, cost effective public transit that improves regional mobility by using buses on a dedicated guideway. BRT systems transport passengers to their destinations swiftly while offering system flexibility to meet changing transit demands. Ridership numbers as of July 2015 were promising.<sup>33</sup>

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<sup>32</sup> *Let's Go Connecticut: Connecticut's Bold Vision for a Transportation Future*, February 2015.  
<http://www.governor.ct.gov/malloy/cwp/view.asp?A=4010&Q=563238>

<sup>33</sup> Don Stacom, "CTfastrak Adds Riders, But CT Transit's Figures Fall", *The Hartford Courant*, August 6, 2015

Figure A.1: CTfastrak Map



Source: Connecticut Department of Transportation

## Connecticut's Highway System

Connecticut has 21,390 miles of public roads. ConnDOT is directly responsible for overseeing all design, construction, maintenance, and improvements for the 4,103 miles of state-maintained roads consisting of state routes and roads, stubs, bypasses, and ramps serving as main lines. This includes 960 miles of Interstate and other National Highway System (NHS) roads in Connecticut.<sup>34</sup>

The condition of state-maintained highway networks by roadway type in 2012 showed:

- While only 6% of the state-maintained roads are in poor condition, only 44.6% are in good or excellent condition.
- 60% of Interstate and other expressway are in good or excellent condition.
- 10% of Connecticut's bridges are rated poor and 1% is in such poor condition that vehicle weight is restricted.<sup>35</sup>

In 2010, Connecticut had 2.9 million licensed drivers and 3 million registered vehicles. Thirty-three percent of households owned a car; 38% of households had 2 cars; 20% had 3 or more cars while 9% of households did not own any vehicle. (See footnote 4, page 6)

Connecticut's highways have a major impact on economic development and responsible growth. TRIP, a national transportation group that conducts research on surface transportation issues, found in its 2014 report that "driving on deficient roads costs Connecticut motorists a total of \$4.2 billion annually in the form of additional vehicle operating costs (VOC), congestion-related delays and traffic crashes."<sup>36</sup> Costs to the average motorist in Connecticut's largest urban areas (Bridgeport, Hartford, and New Haven) exceed \$1,800 annually.

Nearly 79%<sup>37</sup> of commuters in Connecticut are single-riders in an automobile. It is therefore advantageous for the state to continue its successful carpooling programs, promote the use of pedestrian walkways and bike paths and expand rail options and thoughtful bus connections to facilitate a cleaner and less congested commute.

As discussed in the main body of the strategic plan, the transportation investments proposed over the next decade will address these issues.

## Connecticut's Aviation System

The Connecticut Airport Authority (CAA) operates Bradley International Airport and the state's five general aviation airports (Danielson, Groton-New London, Hartford-Brainard, Waterbury-Oxford, and Windham airports). The CAA serves as an economic driver in Connecticut, making the state's airports more attractive to new routes, new commerce, and new companies who may be considering making Connecticut their home.<sup>38</sup>

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<sup>34</sup> [http://www.ct.gov/dot/lib/dot/documents/dcommunications/misc/2012\\_ConnDOTFast\\_Facts\\_online.pdf](http://www.ct.gov/dot/lib/dot/documents/dcommunications/misc/2012_ConnDOTFast_Facts_online.pdf)

<sup>35</sup> [http://www.transformct.info/img/documents/Boards\\_TransformCT\\_All.pdf](http://www.transformct.info/img/documents/Boards_TransformCT_All.pdf)

<sup>36</sup> TRIP, *Connecticut Transportation by the Numbers: Meeting the State's Need for Safe and Efficient Mobility*, December 2014, p. 1. [http://www.tripnet.org/Connecticut\\_State\\_Info.php](http://www.tripnet.org/Connecticut_State_Info.php)

<sup>37</sup> US Department of Transportation, Bureau of Transportation Statistics, *Connecticut Transportation by the Numbers*, January 2015.

<sup>38</sup> <http://www.ctairports.org/BoardInfo.aspx>

Strategies focus on:

- Increasing the share of passenger and cargo traffic
- Increasing the number of domestic and international destinations and ensuring competitive fares
- Operating a state-of-the-art terminal
- Ensuring excellence in service and maximum convenience to all of our customers and tenants
- Operating as a “good neighbor” to the surrounding communities
- Operating a financially self-sustaining entity<sup>39</sup>
- Helping to spur economic development in the surrounding enterprise zone

Bradley International Airport is an economic facilitator—that is it allows other "economic entities" to create more economic activity than they otherwise could create without its presence. It is the value of the access that is provided by the presence of the airport that has the greatest and most far-reaching influence on an economy.<sup>40</sup>

Bradley International Airport is the second largest airport in New England. It served nearly 3 million passengers (enplanements) in 2014 and ranked as the 53<sup>rd</sup> busiest airport in the U.S.

**Table 1: Bradley International Airport Enplanements**

	<b>Enplanements</b>	<b>Y/Y % change</b>	<b>Rank</b>
2010	2,640,155		56
2011	2,772,315	5.0%	54
2012	2,647,610	-4.5%	55
2013	2,681,181	1.3%	54
2014	2,913,380	8.7%	53

Source: FAA, Passenger Boarding (Enplanements) and All Cargo Data for U.S. Airports  
[http://www.faa.gov/airports/planning\\_capacity/passenger\\_allcargo\\_stats/passenger/?year=all](http://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/?year=all)

Commercial airports like Bradley International Airport create value by acting as facilitators that provide faster, more convenient and better access to national and international markets and economic centers. This benefits business travel, tourism and transport of high value, low bulk products. It is especially valuable to many of the high tech, medical, research and educational firms and institutions located in Connecticut, but especially those in the I-91 “Knowledge” Corridor.

### **Connecticut’s Maritime Industry**

The state’s maritime industry shows strong economic potential as Connecticut is one of just 12 states with 3 or more of the 105 largest deepwater ports in the country, each with \$100 million or more in annual foreign trade. This resource represents a potential competitive advantage for Connecticut to connect in the global economy.<sup>41</sup>

<sup>39</sup> [http://www.ctairports.org/Portals/0/Board\\_of\\_Directors\\_2010-2013\\_Strategic\\_Plan.pdf](http://www.ctairports.org/Portals/0/Board_of_Directors_2010-2013_Strategic_Plan.pdf)

<sup>40</sup> “The Contribution of Bradley International Airport to Connecticut’s Economy,” 2005, CT DECD.

<sup>41</sup> [http://ctmaritime.com/final\\_conn\\_maritime\\_report\\_051810.pdf](http://ctmaritime.com/final_conn_maritime_report_051810.pdf)

## Major Ports

In 2013, the Port of New Haven ranked 58th and the Port of Bridgeport ranked 119<sup>th</sup> among the top 150 ports in the nation in terms of tonnage.

Year	Port Name	Total	Domestic	Foreign	Imports	Exports	Rank
<b>2010</b>	Bridgeport, CT	4,535,476	3,254,551	1,280,925	1,280,925	0	79
	New Haven, CT	9,987,285	7,221,889	2,765,396	2,223,797	541,599	51
<b>2011</b>	Bridgeport, CT	2,593,420	2,147,016	446,404	446,404	0	94
	New Haven, CT	8,892,297	6,362,917	2,529,380	2,005,107	524,273	57
	Stamford, CT	675,329	675,329	0	0	0	150
<b>2012</b>	Bridgeport, CT	1,592,634	1,529,252	63,382	63,382	0	120
	New Haven, CT	7,807,423	5,433,989	2,373,434	1,841,019	532,415	58
<b>2013</b>	Bridgeport, CT	1,805,581	1,722,908	82,673	82,673	0	119
	New Haven, CT	8,350,899	5,777,649	2,573,250	2,232,138	341,112	58

Source: US Army Corps of Engineers, Waterborne Statistics

New London is one of the three deepwater ports in Connecticut (in addition to Bridgeport and New Haven). Port of New London is composed of State Pier and Long Dock. It includes warehouses, a garage, and administration building and support structures. There is a privately operated ferry service for passengers and vehicles serving Orient, Long Island.

New London state pier revenue comes from Logistec USA-Connecticut Inc. and Thames River Seafood Co-Op LLC. Table 3 below summarizes revenue from fiscal year 2008 through 2014.<sup>42</sup>

<sup>42</sup> [http://www.ct.gov/ecd/lib/ecd/State\\_Pier\\_Revenue\\_Summary\\_FY\\_07\\_thru\\_14.pdf](http://www.ct.gov/ecd/lib/ecd/State_Pier_Revenue_Summary_FY_07_thru_14.pdf).



**Table 3: New London State Pier Revenue Summary FY 2008- FY 2014**

<b>Logistec USA-Connecticut Inc.</b>			
	<b>Remitted to State</b>	<b>Land Rent</b>	<b>Total</b>
<b>FY 2007-2008</b>	236,906	122,614	359,520
<b>FY 2008-2009</b>	188,131	178,526	366,657
<b>FY 2009-2010</b>	68,581	144,979	213,560
<b>FY 2010-2011</b>	182,283	144,979	327,262
<b>FY 2011-2012</b>	130,378	144,979	275,357
<b>FY 2012-2013</b>	203,560	120,816	324,376
<b>FY 2013-2014</b>	268,773	144,979	413,752
Total	1,278,612	1,001,872	2,280,484
<b>Thames River Seafood Co-Op, LLC</b>			
	<b>Remitted to State</b>	<b>Land Rent</b>	<b>Total</b>
<b>FY 2007-2008</b>	67,997	4,176	72,173
<b>FY 2008-2009</b>	69,235	4,176	73,411
<b>FY 2009-2010</b>	63,509	4,176	67,685
<b>FY 2010-2011</b>	61,149	4,176	65,325
<b>FY 2011-2012</b>	81,586	4,176	85,762
<b>FY 2012-2013</b>	58,330	4,524	62,854
<b>FY 2013-2014</b>	44,182	3,828	48,010
Total	445,988	29,232	475,220

Source:

[http://www.ct.gov/ecd/lib/ecd/State\\_Pier\\_Revenue\\_Summary\\_FY\\_07\\_thru\\_14.pdf](http://www.ct.gov/ecd/lib/ecd/State_Pier_Revenue_Summary_FY_07_thru_14.pdf)

On June 16, 2014 Governor Dannel P. Malloy signed Public Act 14-222, An Act Establishing the Connecticut Port Authority, which was passed unanimously by both houses of the General Assembly.<sup>43</sup>

The creation of the Connecticut Port Authority (CPA) represents a major commitment by the Governor and the Assembly to invest in Connecticut’s port infrastructure to create jobs and attract private investment to the state. Per the legislation, the CPA's primary role will be to stimulate port and maritime economic development, establish a statewide port marketing strategy, and serve as the lead agency in seeking federal and state funding for infrastructure improvements such as dredging.

### **Ferries**

State ferry operations include Bridgeport-Port Jefferson Ferry, Port of New London Ferries, Cross Sound Ferry, Fox Navigation and Connecticut River Ferries. Through the ferry system, Connecticut’s maritime industry can further provide congestion relief and energy efficient transportation options to its residents.

The two historic Connecticut River ferries; one that connects Rocky Hill to Glastonbury and another that connects Chester to Hadlyme, have positive revenue flows. The former operates from May 1<sup>st</sup> to Oct 31<sup>st</sup> on an annual budget of approximately \$25,000 and annual revenue on average is

<sup>43</sup> <http://www.ct.gov/ecd/cwp/view.asp?a=3690&Q=554456&PM=1>

\$33,600; the latter operates from April 1<sup>st</sup> to Nov 30<sup>th</sup> with an annual budget of approximately \$48,000 and annual average revenue of \$77,732.<sup>44</sup>

### **Connecticut's Passenger Rail**

Connecticut is served by three passenger rail operations:

- The New Haven Line (Metro-North) commuter service operates between New Haven, Connecticut and Grand Central Terminal in New York City with connecting branches to New Canaan, Danbury, and Waterbury. Ridership on the New Haven commuter rail reached a record high in 2014, with 39.6 million passenger trips – a 1.6% increase over 2013. The Metro-North is the busiest rail line in the US.<sup>45</sup>

The strategic actions of Metro-North are to increase safety; expand high frequency, high capacity, and fast service to and from New York City; and to expand station access through parking, bus, shuttle, bike and pedestrian investments. (See footnote 1, p.32)

- The Shore Line East (SLE) commuter service operates between New Haven and New London with two special SLE express trains that operate west of New Haven to Bridgeport and Stamford. In 2012, SLE totaled 624,172 total passenger trips (see footnote 4, page 9). The future expansion of SLE is to provide full service to New London and New York City (see footnote 1, p.32).
- Amtrak operates approximately 46 trains daily in Connecticut. Amtrak provides intercity passenger rail service on the Northeast Corridor (NEC) between Washington, DC and Boston, Massachusetts. The New Haven-Springfield Line connects New Haven, Hartford, and northern points to Springfield (see footnote 4, page 9).

### **Rail Freight**

Rail freight service in Connecticut is provided by the following railroads: CSX Corporation, Providence & Worcester Railroad Company, Housatonic Railroad Company, Springfield Terminal Railroad, Connecticut Southern Railroad, Branford Steam Railroad, New England Central Railroad, Naugatuck Railroad, Central New England Railroad, and Pan Am Railways.

In 2013, America's railroads moved a ton of freight an average of 473 miles on one gallon fuel. That's like going from Hartford to Pittsburgh. On average, railroads are four times more fuel efficient than trucks. Moving freight by rail instead of truck reduces greenhouse gas emissions by 75 percent. One train can carry as much freight as several hundred trucks. It would have taken approximately 159,000 additional trucks to handle the 2.9 million tons of freight that originated in, terminated in, or moved through Connecticut by rail in 2012.<sup>46</sup>

In 2012, nearly half of all rail carloads originated in Connecticut were waste and scrap. Stone, sand and gravel consisted primarily crushed and broken stone. Slightly more than one-third of rail

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<sup>44</sup> State Maritime Office, CTDOT, <http://www.ct.gov/dot/cwp/view.asp?a=1386&q=530702>

<sup>45</sup> DOT News Release 4-27-2015

<sup>46</sup> The Association of American Railroads, U.S. Freight Railroad Industry Snapshot, [www.aar.org](http://www.aar.org)

carloads terminated in state consisted of primary metal products, and much of this traffic was steel and rolling mill products in the same year.

**Table 4: Rail Facts, 2012**

<b>Operations</b>		<b>US</b>	<b>CT</b>
	Number of freight railroads	575	8
	Freight railroad mileage	38,524	364
<b>Employment and Earnings</b>			
	Number of freight rail employees	181,264	117
	Average wages & benefits per freight rail employee	\$109,570	\$93,430
<b>Railroad Retirement</b>			
	Number of railroad retirement annuitants age 18+	522,720	2,562
	Railroad retirement benefits paid	\$10.7 billion	\$53 million
<b>Rail traffic originated</b>			
	Total tons	1.76 billion	1.3 million
	Total carloads	28,678,000	13,400
<b>Rail traffic termination</b>			
	Total tons	1.80 billion	1.3 million
	Total carloads	29,669,000	15,900

Source: Association of American Railroads  
<https://www.aar.org/>

### **Connecticut's Greenways**

A greenway is “a corridor of open space that may protect natural resources, preserve scenic landscapes and historical resources, offer recreational opportunities, and provide a place for people to walk, bicycle and move from place to place.”<sup>47</sup> Connecticut is an important piece of the East Coast Greenway initiative, which intends to build a continuous bike path from Florida to Maine. Fourteen segments of the Greenway have been officially designated in Connecticut.



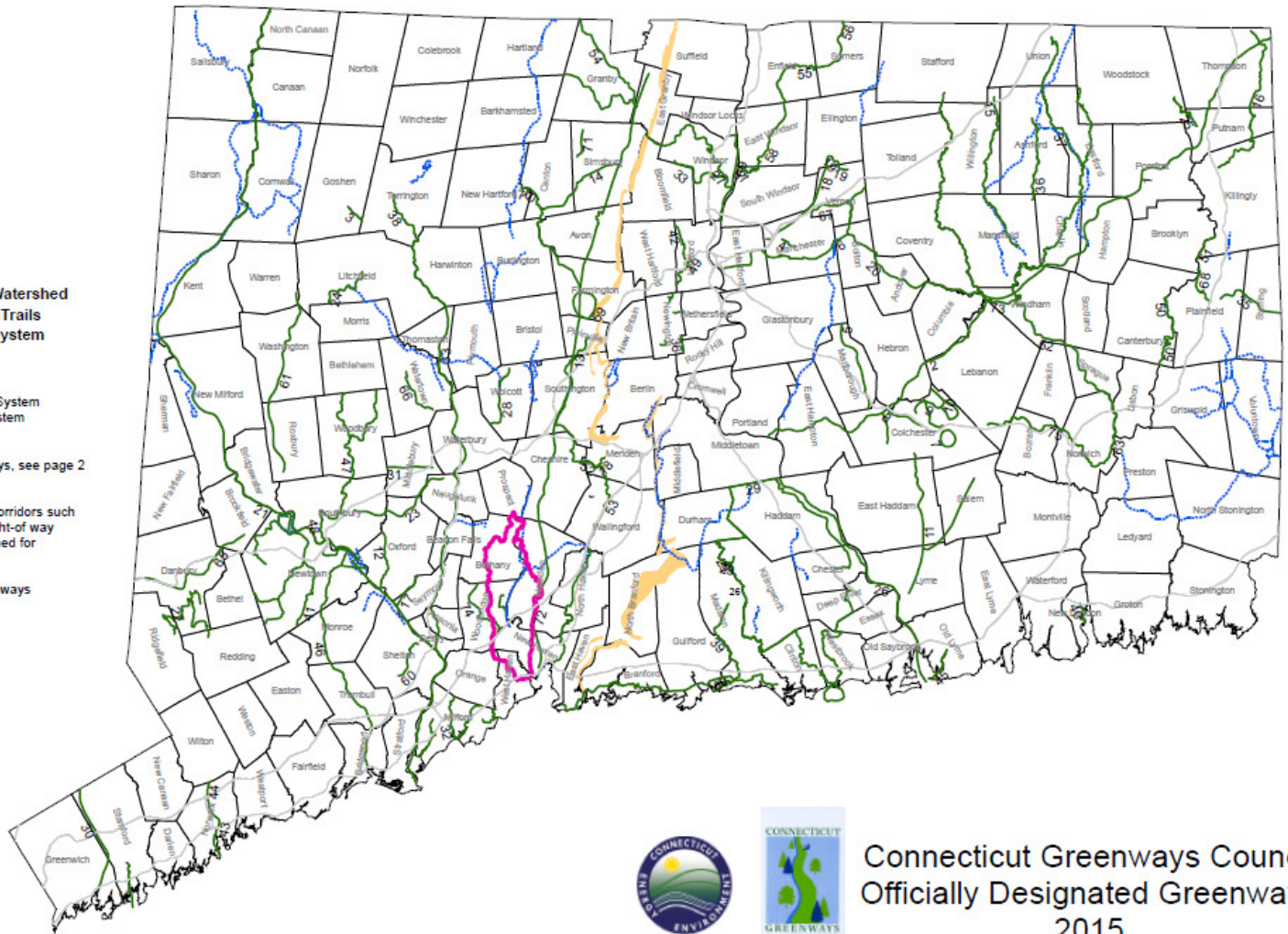
**Explanation**

- Major Highways
- Greenways
- Existing
- 2015 - West River Watershed
- Blue Blazed Hiking Trails
- Metacomet Ridge System

**Notes:**  
 The Blue Blazed Hiking Trail System and the Metacomet Ridge System are designated Greenways.

For an alpha Index to greenways, see page 2

Not all Greenways are trails.  
 Greenways are open space corridors such as a river valley or railroad right-of way and may contain a trail designed for non-vehicular public use.  
 For more information  
 Visit: <http://ct.gov/deep/greenways>



**Connecticut Greenways Council  
 Officially Designated Greenways  
 2015**

Map Prepared by Julie Starnoff, Parks & Recreation Program May 2014  
 Connecticut Department of Energy & Environmental Protection

## **Summary**

Transportation systems are critical to the productivity of businesses, the well being of individuals, quality of life issues and the overall health of economies. Citizens are looking for better transportation options to get to work within the major urban areas throughout the state, as well as to areas outside Connecticut. All modes of transportation, including roads, rail, air and water, provide economic and user benefits. Connecticut's economic future is linked to its transportation system.

## **2. Workforce and Education**

This section provides a baseline assessment of demographic, education and workforce trends in Connecticut. The section on demographics provides the latest data on population growth and projections in the state. The education section provides information about the state's educational system, such as achievement, graduation rates, and college matriculation. The final section is an overview of the workforce including characteristics such as income, unemployment, and educational levels achieved.

### **Demographics**

There are several demographic trends with important implications for education and the workforce in Connecticut including the decline in the state's population growth rate, the increased number of non-English speaking immigrants, and the migration patterns of the state's young and educated cohort (for example, the decline in the state's 25- to 44-year old population in recent years<sup>48</sup>). If current trends continue unabated, Connecticut's workforce will be smaller, older, and more diverse in the coming years.

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<sup>48</sup> Source: Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States, States, Counties, and Puerto Rico: April 1, 2010 to July 1, 2013, U.S. Census Bureau, Population Division; Release Date: June 2014

<b>Table 5: Ethnicity and Race in Connecticut</b>			
	<b>2014</b>	<b>2010</b>	<b>Percentage Change</b>
<b>Total Population</b>	3,596,677	3,574,096	0.63%
<b>Hispanic</b>			
Non-Hispanic	3,055,525	3,095,007	-1.28%
Hispanic or Latino	541,152	479,089	12.95%
<b>Race</b>			
White alone	2,919,746	2,950,819	-1.05%
Black alone	413,814	392,131	5.53%
American Indian & Alaskan Native alone	18,443	16,734	10.21%
Asian alone	161,770	140,516	15.13%
Native Hawaiian & Other Pac Islander alone	3,862	3,491	10.63%
Two or more races	79,042	70,405	12.27%

- The U.S. census data in Table 5 above shows the demographic change in the state’s population from 2010 to 2014. The state ranked 44<sup>th</sup> in the U.S. in relative population growth over that time period, and the nation’s population growth rate was 3.3%. The significant increase in the Latino and Asian populations in the state suggests that foreign in-migration is largely offsetting domestic out-migration.
- Connecticut is among the nation’s 10 oldest states ranking 7<sup>th</sup> in median age (40.2 in 2013, up from 39.5 in 2010).<sup>49</sup> See U.S. Census data in Table 6. Comparison of Census 2000 and Census 2010 data shows that the state’s 65-and-over age cohort increased 7.7% over the decade, but the 15-24 years age group increased by 18%. Nationally, the growth rate in the two age cohorts was 15% and 11%, respectively.<sup>50</sup> The rise in the younger age group is also encouraging given the recent decline in the state’s 25-44 years age group (see footnote 17).

<sup>49</sup> U.S. Census Bureau, 2009-2013 5-Year American Community Survey.

<sup>50</sup> U.S. Census Bureau, American Community Survey.

<b>Age</b>	<b>2014</b>	<b>2010</b>	<b>Percentage Change</b>
0 to 4	189,437	202,106	-6.3%
5 to 9	210,166	222,571	-5.6%
10 to 14	229,822	240,265	-4.3%
15 to 19	252,271	250,834	0.6%
20 to 24	243,786	227,897	7.0%
25 to 29	221,880	214,145	3.6%
30 to 34	219,432	206,232	6.4%
35 to 39	208,434	222,401	-6.3%
40 to 44	231,012	262,038	-11.8%
45 to 49	262,162	291,272	-10.0%
50 to 54	285,091	284,323	0.3%
55 to 59	268,607	240,157	11.8%
60 to 64	218,654	203,295	7.6%
65 to 69	177,103	149,281	18.6%
70 to 74	127,814	105,664	21.0%
75 to 79	89,549	89,252	0.3%
80 to 84	71,672	77,465	-7.5%
85+	89,785	84,898	5.8%

- According to the Connecticut State Data Center, Connecticut’s population will grow from 3.57 million in 2010 to 3.75 million in 2025.<sup>51</sup> The U.S. Census estimates Connecticut to rank 29<sup>th</sup> among all states in population growth through 2030, based on Census 2000 data (this ranking is not available using Census 2010 data because the Census Bureau no longer performs it).<sup>52</sup>

## **Education**

Connecticut has invested significant resources to make its educational system one of the best in the nation, from early childhood to higher education. Connecticut boasts some of the best educational achievement in the nation: #3 ranking in the country for percentage of employees with advanced degrees (16.6%, just below Massachusetts and Maryland) and 50% more than the national average and 90% high school or beyond; #4 in productivity of employees; #5 for science and engineering doctorates in the workforce; and #7 in patents per 100,000 workers.<sup>53</sup>

Connecticut has 169 municipalities and 145 school districts each associated with a town,<sup>54</sup> which uses property taxes to support public education. Some towns participate in regional school systems;

<sup>51</sup> Connecticut State Data Center at the University of Connecticut Libraries Map and Geographic Information Center - MAGIC. (2012). *2015-2025 Population Projections for Connecticut at State, County, Regional Planning Organization, and Town levels - November 1, 2012 edition*. <http://www.ctsdc.uconn.edu/Projections.html>.

<sup>52</sup> <https://www.census.gov/population/projections/data/state/projectionsagesex.html>

<sup>53</sup> *2015 Connecticut Economic Review*, [http://ct.gov/ecd/lib/ecd/finalcerc\\_0100\\_ct\\_economicreview\\_client.pdf](http://ct.gov/ecd/lib/ecd/finalcerc_0100_ct_economicreview_client.pdf).

Connecticut has eight regional districts at the high school level and nine districts in the lower grades (see footnote 23). In addition the state has a system of charter schools, inter-district magnet schools, regional agricultural science centers and technical high schools. The result is a highly decentralized educational system with uneven availability of financial resources.

### **Early Childhood Education**

Many studies indicate that the long-term benefits of investing in early child care and education (ECE) programs far outweigh the costs to society without them. Research shows that high quality early care and education correlate positively with children and young adults who are better prepared for school and are more likely to perform at a higher level throughout their school years. They are more likely as adults to find higher paying jobs and their children are more likely to have better social outcomes (i.e., higher participation rates in civic and cultural life) than are children in corresponding cohorts who did not have high quality child care.<sup>55</sup> Thirty-one percent of Connecticut's 3- and 4-year olds are not enrolled in any Pre-K program, compared to the 40% national rate. Among children living below the poverty line, Connecticut's performance matches the national rate of 53% not enrolled. Governor Malloy has announced several initiatives to increase the quality and quantity of ECE programs in the state, including funding to create additional preschool slots and upgrade preschool classrooms.<sup>56</sup>

In addition to future benefits, the ECE industry immediately contributes to Connecticut's economy in two ways. The industry creates jobs for providers, and it provides a support system that permits parents to participate more fully in the labor force. Therefore, ECE is a valuable investment for the state.

### **Elementary and Secondary School Achievement**

According to U.S. Census data, in FY 2013 Connecticut spent \$10,285 per pupil on instruction in elementary and secondary schools, the third highest in the U.S. behind New York and the District of Columbia. The national average was \$6,480. Within the state's school districts, the range was from a low of \$8,116 in Ellington to \$20,227 in Canaan.<sup>57</sup>

Connecticut's high-school graduation rate was 87.0% in 2014<sup>58</sup> and the state performs well on this measure relative to other states. State rankings of various educational measures for 2012-2013 are shown in Table 7 below. Connecticut ranked 15<sup>th</sup> among all states in graduation rates, and ranked in the top twenty in math proficiency and in the top five in reading proficiency.<sup>59</sup>

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<sup>54</sup> See <http://www.csde.state.ct.us/public/csde/reports/wwwDistrict.asp> for full list.

<sup>55</sup> Refer to the National Education Association for a list of studies. <http://www.nea.org/home/18163.htm>

<sup>56</sup> Refer to the CT Office of Early Childhood's press releases: <http://www.ct.gov/oec/>

<sup>57</sup> *Hartford Courant*, June 2, 2015.

<http://www.courant.com/data-desk/hc-in-perpupil-spending-connecticut-ranks-high-20150602-htmllstory.html>

<sup>58</sup> CT Dept. of Education, Four-Year Cohort Graduation Data, <http://www.sde.ct.gov/sde/cwp/view.asp?a=2758&q=334898>

<sup>59</sup> Data source listed with table below.



**Table 7: State Rankings of Elementary and Secondary School Performance, 2012-2013**

Rank	States	Regulatory Adjusted Cohort Graduation Rate	States	NAEP Math Percent Proficient and Above, Grade 4	States	NAEP Math Percent Proficient and Above, Grade 8	States	NAEP Reading Percent Proficient and Above, Grade 4	States	NAEP Reading Percent Proficient and Above, Grade 8
1	IA	89.7%	MN	59%	MA	55%	MA	47%	MA	48%
2	NE	88.5%	NH	59%	NJ	49%	MD	45%	NJ	46%
3	TX	88.0%	MA	58%	MN	47%	NH	45%	CT	45%
4	WI	88.0%	IN	52%	NH	47%	CT	43%	VT	45%
5	NJ	87.5%	VT	52%	VT	47%	VA	43%	NH	44%
6	ND	87.5%	CO	50%	CO	42%	NJ	42%	MD	42%
7	NH	87.3%	NJ	49%	PA	42%	VT	42%	PA	42%
8	IN	87.0%	IA	48%	WA	42%	CO	41%	WA	42%
9	VT	86.6%	KS	48%	ND	41%	MN	41%	MN	41%
10	ME	86.4%	ND	48%	KS	40%	PA	40%	CO	40%
11	TN	86.3%	OH	48%	ME	40%	WA	40%	MT	40%
12	KY	86.1%	WA	48%	MT	40%	FL	39%	OH	39%
13	KS	85.7%	WY	48%	OH	40%	DE	38%	UT	39%
14	MO	85.7%	ME	47%	WI	40%	IN	38%	ID	38%
15	CT	85.5%	MD	47%	IN	38%	IA	38%	KY	38%
16	PA	85.5%	VA	47%	SD	38%	KS	38%	ME	38%
17	MD	85.0%	WI	47%	TX	38%	RI	38%	WY	38%
18	MA	85.0%	HI	46%	VA	38%	ME	37%	IA	37%
19	AR	84.9%	CT	45%	WY	38%	NE	37%	NE	37%
20	OK	84.8%	MT	45%	CT	37%	NY	37%	OR	37%
21	VA	84.5%	NE	45%	MD	37%	OH	37%	IL	36%
22	MT	84.4%	NC	45%	ID	36%	UT	37%	KS	36%
23	IL	83.2%	PA	44%	IL	36%	WY	37%	MO	36%
24	UT	83.0%	UT	44%	IA	36%	KY	36%	RI	36%
25	SD	82.7%	DE	42%	NE	36%	MO	35%	SD	36%
26	NC	82.5%	RI	42%	NC	36%	MT	35%	VA	36%
27	HI	82.4%	FL	41%	RI	36%	NC	35%	WI	36%
28	OH	82.2%	KY	41%	UT	36%	WI	35%	IN	35%
29	WV	81.4%	TX	41%	OR	34%	GA	34%	NY	35%
30	CA	80.4%	AZ	40%	AK	33%	IL	34%	ND	34%
31	DE	80.4%	ID	40%	DE	33%	ND	34%	DE	33%
32	AL	80.0%	NY	40%	MO	33%	TN	34%	FL	33%
33	MN	79.8%	OR	40%	HI	32%	ID	33%	MI	33%
34	RI	79.7%	SD	40%	NY	32%	OR	33%	NC	33%
35	SC	77.6%	TN	40%	AZ	31%	AR	32%	TN	33%
36	MI	77.0%	AR	39%	FL	31%	SD	32%	GA	32%
37	WY	77.0%	GA	39%	SC	31%	AL	31%	AK	31%
38	CO	76.9%	IL	39%	KY	30%	MI	31%	TX	31%
39	NY	76.8%	MO	39%	MI	30%	HI	30%	AR	30%
40	WA	76.4%	AL	38%	GA	29%	OK	30%	NV	30%
41	FL	75.6%	AK	37%	AR	28%	AZ	28%	CA	29%
42	MS	75.5%	MI	37%	CA	28%	SC	28%	OK	29%
43	AZ	75.1%	OK	36%	NV	28%	TX	28%	SC	29%
44	LA	73.5%	SC	35%	TN	28%	AK	27%	AZ	28%
45	AK	71.8%	WV	35%	OK	25%	CA	27%	HI	28%
46	GA	71.7%	NV	34%	WV	24%	NV	27%	AL	25%
47	NV	70.7%	CA	33%	NM	23%	WV	27%	WV	25%
48	NM	70.3%	NM	31%	LA	21%	DC	23%	LA	24%
49	OR	68.7%	DC	28%	MS	21%	LA	23%	NM	22%
50	DC	62.3%	LA	26%	AL	20%	MS	21%	MS	20%
51	ID	n/a	MS	26%	DC	19%	NM	21%	DC	17%
	US	81.4%	US	41%	US	34%	US	34%	US	34%

Source: National Assessment of Educational Progress; Tabulation from NAEP Data Explorer, 4/17/2010: <http://www.nces.ed.gov/nationsreportcard/naepdata/>

## College Preparation and Higher Education Participation

Connecticut boasts one of the highest levels of academic achievement in the nation, and can be rightly proud of its highly educated workforce. As many as 37% of adults hold a bachelor’s degree or beyond, above the 29% for the U.S. as a whole, and 16% of Connecticut adults hold advanced degrees, well beyond the U.S.’s 11% (see Table 8 below).<sup>60</sup> Connecticut is successfully preparing students for college; however it still faces challenges. Overall, 44.7% of the state’s public high school senior class of 2014 was academically ready for college, based on SAT performance. However the readiness of black and Hispanic students was considerably lower (13.4% and 19.8%, respectively).<sup>61</sup> Seventy-three percent of the state’s Spring 2013 public high school graduates enrolled in higher education within a year<sup>62</sup> compared with 66% nationally.<sup>63</sup>

**Table 8: Educational Attainment of the Population 25 years and Over, 2013**

	Connecticut	United States
Bachelor's degree	20.40%	18.00%
Graduate or professional degree	16.10%	10.80%
High school graduate or higher	89.20%	86.00%
Bachelor's degree or higher	36.50%	28.80%

Source: U.S. Census Bureau, 2009-2013 5-Year American Community Survey

It is important to note that Connecticut has improved diversity in and accessibility to higher education in recent years. The percent of minority students in Connecticut’s institutions of higher education has increased from 21.7% to 31.7% in the last ten years.<sup>64</sup>

Connecticut’s educational system needs to provide a workforce with the knowledge/skills needed by local businesses, and has recently begun to address this issue. There have been numerous educational initiatives to develop required skills and properly train workers for careers relevant to Connecticut industries. The number of students graduating with a Bachelor’s degree in engineering in 2014 was 856, up almost 27% from 2010. Over the same period Biological sciences were up by

<sup>60</sup> American Community Survey 5-year estimates, 2013, obtained using American FactFinder; <http://factfinder.census.gov>.

<sup>61</sup> CT Dept. of Education, *The Condition of Education in Connecticut, 2013-2014*, p. 24

[http://www.sde.ct.gov/sde/lib/sde/pdf/board/boardmaterials040615/iii\\_c\\_receipt\\_of\\_the\\_report\\_on\\_the\\_condition\\_of\\_education\\_2013\\_14.pdf](http://www.sde.ct.gov/sde/lib/sde/pdf/board/boardmaterials040615/iii_c_receipt_of_the_report_on_the_condition_of_education_2013_14.pdf)

<sup>62</sup> See footnote 28, p. 29.

<sup>63</sup> National Center for Education Statistics, 2013. [http://nces.ed.gov/programs/coe/indicator\\_cpa.asp](http://nces.ed.gov/programs/coe/indicator_cpa.asp)

<sup>64</sup> CT Office of Higher Education, *2014 Connecticut Higher Education System Data and Trends Report*,

<https://www.ctohe.org/News/pdfs/2015/2014SystemDataTrendsReportRev041315.pdf>

37% to 1,272 Bachelor’s degrees awarded, Computer Sciences were up by 41% to 271, and Physical Sciences were up by 6% to 323.<sup>65</sup>

Though strides have been made, there is still a need to graduate more students with degrees in areas such as healthcare, finance, pre-engineering, and teaching. Comparing the state’s recent graduation data against the CT Department of Labor’s employment projections through 2022 shows that the state’s production of graduates in certain fields is short of the expected annual openings.<sup>66</sup> The state is investing to address these projected shortcomings and fill the anticipated “skills gap” with programs such as the Manufacturing Innovation Fund Apprenticeship Program and Bioscience Connecticut.

In today’s knowledge-based economy, workforce development through educational initiatives will be crucial to the continued economic development of the state. Connecticut has taken strides to improve educational opportunity and accessibility, but the state recognizes that it will lose this investment in education if it fails to retain those graduates and matriculate them into its workforce, and is taking concrete steps to do so.

**Teachers**

Based on data collected in Fall 2012, the state identified a shortage of teachers in the several areas for the 2013-14 school year, including bilingual education, comprehensive special education, technology education and world languages.<sup>67</sup> The National Commission on Teaching and America’s Future reported in 2009 that Connecticut was one of 18 states that may be affected the most by teacher retirements over the next decade because over half of their public school teachers are age 50 and over.<sup>68</sup>

**Challenges for Connecticut’s Education System**

Connecticut has been successful in providing a high quality of education for much of its population, yet, according to the Connecticut Council for Education Reform, Connecticut has the largest achievement gap in the U.S.<sup>69</sup> Our education system needs to accommodate a growing population for whom English is a second language.

**Table 9: Language Other Than English Spoken at Home, Connecticut Population 5 Years and Over**

	Number	Percent
2000	583,913	18.3%
2012	735,548	21.6%

*Source: U.S. Census Bureau, Census 2000 Summary File 3, and 2011-2013 3-Year American Community Survey*

<sup>65</sup> CT Office of Higher Education Searchable Database, <http://www.ctohe.org/HEWeb/CompletionsCE82Search.asp>

<sup>66</sup> CT DOL, <http://www1.ctdol.state.ct.us/lmi/ctocgroups2012.asp>

<sup>67</sup> CT State Department of Education, May 2013. <http://www.sde.ct.gov/sde/lib/sde/PDF/EvalResearch/databulletinMay2013.pdf>.

<sup>68</sup> <http://nctaf.org/announcements/nations-schools-facing-largest-teacher-retirement-wave-in-history/>

<sup>69</sup> <http://ctedreform.org/whats-the-achievement-gap/cts-gap/>

The disparity in educational attainment, including the achievement gap and the lower college readiness rates of certain minority groups, has severe implications for future household income and the ability of Connecticut's workforce to satisfy businesses' demand for skilled labor. More than a third (34%) of Connecticut's projected job openings requires post-secondary education, and the difference in average wage for those occupations requiring a bachelor's degree or higher and those only requiring short-term on-the-job training (such as cashiers, retail salespersons and wait-staff) is over \$22 per hour.<sup>70</sup> The incentive to pursue higher education is clear, and Connecticut must continue to make investments in education to improve educational opportunity and outcomes.

## **Workforce**

Currently, Connecticut labor markets are recovering after the 2008 recession. Connecticut has now recovered 108,200, or 97.0% of the 111,600 private sector jobs that were lost during the March 2008 - February 2010 employment recession. Connecticut's jobs recovery is now 65 months old and is averaging about 1,569 jobs per month since February 2010. A total of just 3,400 additional private sector positions are needed to have a fully recovered private sector. Overall, Connecticut has now recovered 85.7% of the 119,000 seasonally adjusted total nonfarm jobs that were lost in the state during the same recession.<sup>71</sup>

Connecticut and the nation have witnessed high productivity growth over the last decade as a result of technological advancement, which has raised mean per capita income above the median. One of Connecticut's heralded strengths is its highly productive workforce. Connecticut is ranked 4<sup>th</sup> in the nation in worker productivity, based on 2013 data.<sup>72</sup> The state's workforce is also characterized by a high level of educational attainment; it is ranked 3<sup>rd</sup> in the nation in percentage of the adult population which holds an advanced degree, which contributes to its productivity (see footnote 41, page 4).

## **Workforce Demographics**

The state's labor force participation rate and the employment-to-population ratio, once among the highest in the nation, have been falling in recent years. The participation rate, which is the sum of the employed and unemployed as a percent of the working-age population, was 65% in 2013, compared to 69% in 2008. Among the various age groups, the participation rate dropped the most in the younger 16-24 category, while the 55+ year group saw an increase. This suggests that younger people are postponing entry into the labor force while older people are delaying retirement. The prime age (25-54 years) employment-to-population ratio among all ethnic groups have declined from pre-recession levels, with the highest decline for black workers (a decrease of 11%), followed by Hispanic workers (-5.5%) and white workers (-4.5%).<sup>73</sup>

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<sup>70</sup> CT DOL, *Soaring to New Heights, Ct Job Outlook by Training Level, 2006-2016*.

<http://www1.ctdol.state.ct.us/lmi/images/Soaring%20to%20New%20Heights%202006-16.pdf>

<sup>71</sup> *Labor Situation*, August 2015, CT Department of Labor. <http://www1.ctdol.state.ct.us/lmi/laborsit.asp>

<sup>72</sup> *2015 Connecticut Economic Review*, Eversource Energy and CERC, page 5,

[http://www.ct.gov/ecd/lib/ecd/finalcerc\\_0100\\_ct\\_economicreview\\_client.pdf](http://www.ct.gov/ecd/lib/ecd/finalcerc_0100_ct_economicreview_client.pdf)

<sup>73</sup> *The State of Working Connecticut 2014*, Connecticut Voices for Children, September 2014.

## **Workforce Educational Composition**

Connecticut's current labor force is highly educated: of the state population of adults over 25 years, 16.6% hold advanced degrees (Master's, Professional or Doctoral degrees, 3<sup>rd</sup> in the nation behind Massachusetts and Maryland; the U.S. average is 11.1% - see footnote 41, page 4), and 37% hold bachelor's degrees or higher (the U.S. average is 29%).<sup>74</sup> Eighty-nine percent of the state's adults over 25 have graduated high school, compared to the U.S. average of 86% (see footnote 43 and Table 8 above). High productivity and high educational attainment go hand-in-hand. Connecticut ranks fourth in the U.S. for productivity per person (see footnote 41).

## **Innovation**

Innovation is a key characteristic of the workforce that improves efficiency and maximizes output. Innovation is difficult to measure quantitatively, although we can measure the products of innovation through entrepreneurship, patents, and technology usage data. Connecticut ranks high relative to other states in terms of patents issued (7<sup>th</sup>), technology usage (9<sup>th</sup>), and private R&D investment per capita (5<sup>th</sup>) (see footnote 41).

## **Summary**

A baseline analysis of Connecticut's educational system and workforce reveals enormous strengths in our current state workforce. For Connecticut to retain this strong position, it must address the inequalities in our education system. Although Connecticut maintains its position as one of the richest states in terms of GDP per person, as well as having a highly productive and educated workforce, these inequalities could threaten our future if not addressed. Our comprehensive approach to improved educational outcomes is designed to keep Connecticut at the top of the nation.

## **3. Availability of Capital**

Many Connecticut companies need to raise capital from external investors to launch, grow and prosper. However, small- and medium-sized companies must compete for access to capital for growth. Funds for start-up companies are necessary to ensure the continuation of Connecticut's industries, especially the expanding technology and manufacturing sectors.

Start-ups are important to the U.S. economy. In the second half of the 1990s, businesses with fewer than 100 employees created 75% of all new jobs in the United States.<sup>75</sup> However, it must be noted that some of these new jobs may be service sector firms; not all are technology-driven industrial firms.

Throughout the state's educational institutions, there is a wealth of knowledge and a constant stream of potential innovation; however, researchers are sometimes constrained by a lack of business knowledge pertaining to converting their invention into a commercial product. A number of universities support innovation with tech transfer offices.

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<sup>74</sup> U.S. Census Bureau, 2009-2013 5-Year American Community Survey.

<sup>75</sup> Chris Edwards, *Entrepreneurs Creating the New Economy*, ed. Joint Economic Committee Staff Report, 2000.

The state addresses this situation by providing (1) state-supported seed capital funds, (2) expanded angel investor networks, (3) the use of tax incentives and (4) access to technical and business support. Capital could take the form of equity investments, specialized technology facilities loans, and pre-seed proof of concept awards.<sup>76</sup> Connecticut Innovations Inc. (CI), a quasi-public agency, offers several venture capital and other funding opportunities to start-up firms in various fields, including bioscience, clean tech, information technology and advanced manufacturing.

### **Venture Capital**

Venture Capital (VC) is financial capital that helps young companies transform an idea or prototype into commercial production. An increase in the availability of early-stage venture capital is required to address the make-or-break point in moving research discoveries from concept to commercialization (see footnote 45). It is at this make-or-break point, where patents on new products and processes are completed, but more work is required before commercialization takes place, that capital is often unavailable. Connecticut Innovations helps fills this gap.

### **Competitiveness**

Connecticut needs to stay competitive in order to keep talented entrepreneurs in the state, and stimulate them to create and grow new businesses. To do this, the state tries to attract and incubate new businesses and provide an environment that is conducive to the growth of existing firms.<sup>77</sup> Recognizing this, Connecticut Innovations provides “more than money,”—equity investments but also incubators, co-working spaces, strategic guidance, public relations, marketing and operations support, grants and more. Since 1995, CI has invested more than \$275 million in 210 startups, leveraging more than \$1 billion in additional funds from co-investors.

### **Current Access to Capital**

Connecticut offers direct financing to growing businesses, but also acts as an intermediary for those looking for capital. Partnering with local nonprofits and angel networks, as well as creating connections to emerging industries, the state is well positioned to facilitate economic growth.

The state offers financing directly through the DECD via the Economic and Manufacturing Assistance Act (MAA), the Small Business Express and other tax credits and incentives. (See the DECD web site at <http://www.ct.gov/ecd/site/default.asp> for more information on these funds.) The MAA offers incentive-driven direct loans for projects when there is a strong economic development potential.

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<sup>76</sup> Connecticut Office for Workforce Competitiveness (OWC), *A Talent-Based Strategy to Keep Connecticut Competitive in the 21<sup>st</sup> Century*, February 2007, page 11.

<sup>77</sup> Beacon Hill Institute, “Eighth Annual State Competitiveness Report,” <http://www.beaconhill.org/Compete08/BHISate08-FINAL.pdf>.

The state also offers capital through its financing partners:

- CI offers mezzanine debt to growing companies in its portfolio and finances start-up bioscience firms through two specialty funds: the Connecticut Bioscience Innovation Fund and the Regenerative Medicine Research Fund.
- Connecticut Venture Group (CVG) assists the development of high-growth enterprises through the promotion of capital formation.
- Additional financing partners are listed in Section IV below (page 50).

Moreover, there is a network of local and regional revolving loan funds across the state to assist businesses with their financing needs. Along with these loan funds, researchers and existing businesses can turn to local credit markets — community banks and credit unions — for capital funding. Governor Malloy’s Small Business Express and Manufacturing Innovation Fund programs have also increased capital availability.<sup>78</sup> Each of these programs has leveraged a significant amount of capital from the private sector as well.

### **Summary**

Start-up businesses in Connecticut need initial financing to blossom while young firms need capital to expand. As Connecticut has a strong technology-based industrial structure, and experiences high energy and labor costs among others, access to capital is more important than ever. The state offers direct and indirect financing opportunities for growing businesses in different disciplines. The state should continue to welcome and aid these new and young businesses as they are proven engines of economic growth.

## **4. Energy Costs and Supply**

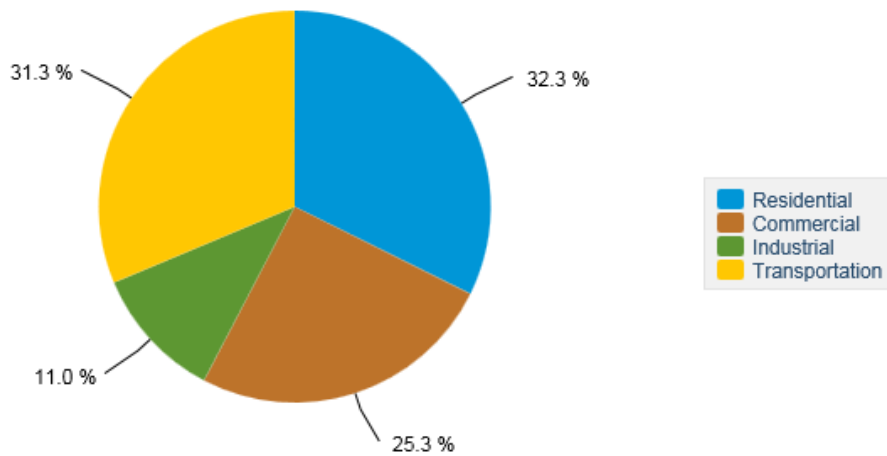
The Energy Information Administration (EIA), in its latest available *State Profile and Energy Estimates for the State of Connecticut*,<sup>79</sup> reports that “nearly half of Connecticut’s net electricity generation in 2014 came from the 2,103-megawatt Millstone nuclear station.” However, Connecticut also leads New England in committing demand resources (electricity use that can be turned off during periods of peak demand) to the New England grid. Connecticut also ranked third lowest among the states in per capita energy consumption in 2011.

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<sup>78</sup>See DECD website ([www.decd.org](http://www.decd.org)) for more information.

<sup>79</sup>Energy Information Administration, <http://www.eia.gov/state/?sid=CT>

## Connecticut Energy Consumption by End-Use Sector, 2012



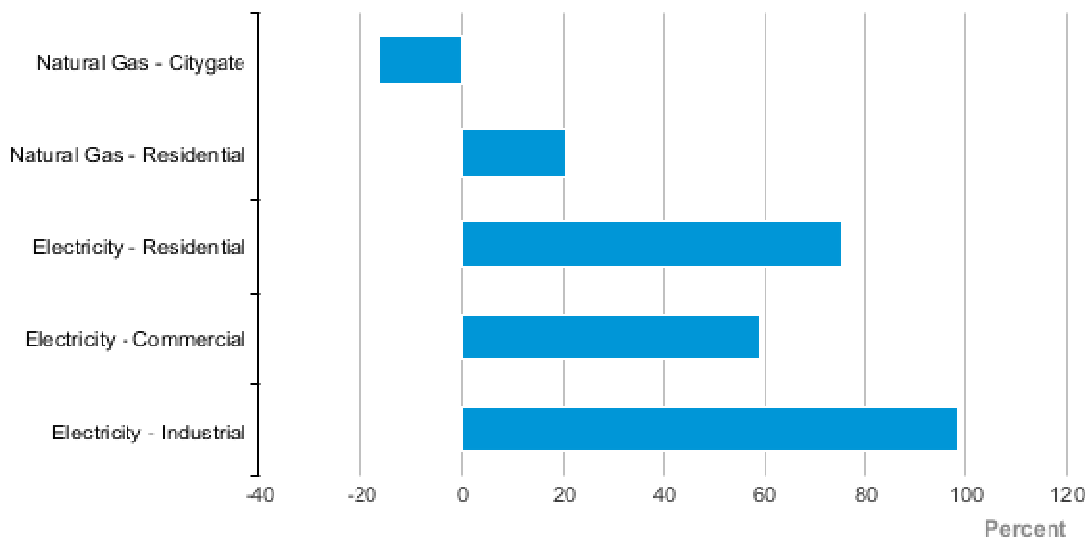
 Source: Energy Information Administration, State Energy Data System

The state consistently ranks in the lower 50<sup>th</sup> percentile in consumption (per capita) for each energy subcategory reflecting the state's energy efficient culture. Nevertheless, Connecticut has some of the highest relative energy prices in the nation for motor fuels, heating oil, natural gas, coal, and retail-electricity (see footnote 48). In 2012, Connecticut residents spent \$28.25 per million BTU, compared to \$21.65 for the nation.<sup>80</sup> The chart below shows the state's price difference from the U.S. average for April 2015.

<sup>80</sup> FY 2016-2017 Biennium Economic Report of the Governor, p. 44.



## Connecticut Price Differences from U.S. Average, Most Recent Monthly



Source: Energy Information Administration, Petroleum Marketing Monthly; Natural Gas Monthly; Electric Power Monthly

Connecticut’s “Comprehensive Energy Strategy” (CES) establishes a clear path toward cheaper, cleaner, and more reliable energy for Connecticut consumers. It focuses on innovative approaches to energy efficiency—cost effective renewable power, smarter building management, and expanded use of low-cost natural gas, among other things.<sup>81</sup>

In April 2015, Gov. Malloy convened, hosted, and chaired the “Northeast Forum on Regional Energy Solutions” in Hartford to discuss strategies for addressing energy infrastructure challenges facing the New England region. The statement released by the Governors of the New England states following the meeting recognized “significant energy system challenges with serious economic consequences,” and renewed a joint-commitment to “coordinated action.” The New England Governors also released a six-state immediate-term action plan for a cleaner, more reliable and more affordable energy future.<sup>82</sup>

Finally, recognizing that implementation of the CES may take several years, CT has created the new Connecticut Green Bank, the mission of which is to leverage public sector funds with bank and other private capital in order to allow residents and businesses to access lower cost, sustainable sources of energy. Their CPACE program and several residential programs, have led the nation in

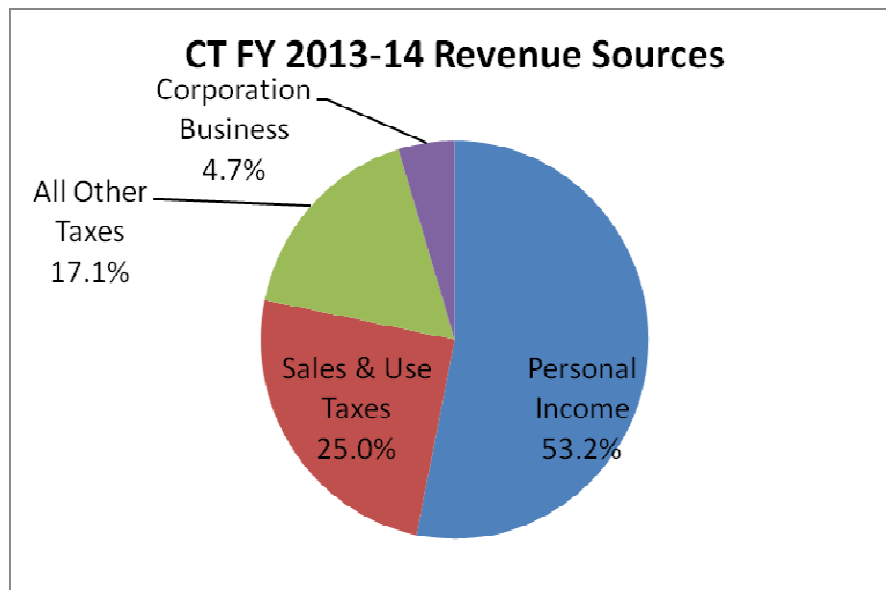
<sup>81</sup> 2013 *Comprehensive Energy Strategy for Connecticut*, CT Department of Energy and Environmental Protection, February 2013. [http://www.ct.gov/deep/lib/deep/energy/cep/2013\\_ces\\_final.pdf](http://www.ct.gov/deep/lib/deep/energy/cep/2013_ces_final.pdf)

<sup>82</sup> “New England Governors’ Statement on Regional Cooperation for Energy Infrastructure,” April 23, 2015. <http://www.governor.ct.gov/malloy/cwp/view.asp?A=4010&Q=564604>.

providing access to low cost financing to support installation of solar, wind and other forms of energy as well as efficiencies. These programs are detailed at the Green Bank’s web site: <http://www.ctcleanenergy.com/>.

## 5. Connecticut Taxation

Taxes permit governments to provide goods and services that would otherwise not be provided or provided in sufficient quantity. Taxes that pay for public goods and services are raised from income (a flow of wealth), property (a stock of wealth), consumption (sales of goods and services including conveyances), and inheritances among others. The majority of taxes paid by Connecticut residents fall into three categories: the personal property and real estate tax levied by local town governments, state and federal personal income taxes, and sales and use taxes collected primarily at the state level. Taxes paid by business include the corporation income tax and the insurance premium tax.



Source: CT Department of Revenue, Annual Report, 2013-2014.

### Property Taxes

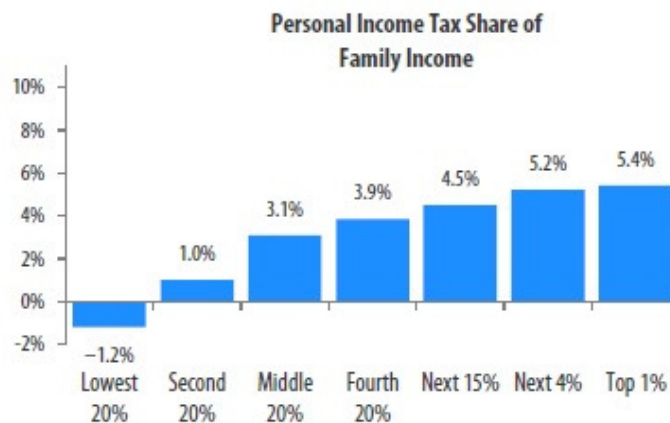
Property taxes vary across Connecticut towns according to the equalized mill rate (EMR) that accounts for the different dates of property revaluation. The EMR represents the most recent grand levy as a fraction of the current, full property value. The EMR for each of Connecticut’s towns is available in the Office of Policy and Management’s (OPM) *Municipal Fiscal Indicators*.<sup>83</sup> The equalized mill rate, however, does not paint a complete picture of property taxation across Connecticut towns. Measures of “tax capacity” and “tax effort” that are related to EMR using state and local revenues per capita and per \$1,000 of personal income can be useful because they offer insight into differences in equalized mill rates across towns and across states.

<sup>83</sup> [http://www.ct.gov/opm/cwp/view.asp?a=2984&q=383170&opmNav\\_GID=1807](http://www.ct.gov/opm/cwp/view.asp?a=2984&q=383170&opmNav_GID=1807)

## Personal Income Tax

Taxes based on personal income include state and federal income taxes, the payroll or social security tax, unemployment insurance and workers' compensation. These taxes are independent of location of residence within Connecticut. The federal and Connecticut personal income tax burdens for a given income are the same no matter where the income is earned assuming it is earned domestically or repatriated. The Connecticut and federal personal income taxes are ostensibly progressive, that is, unless one uses some sort of effective tax planning, the fraction of income paid in tax increases with income. Social security and unemployment insurance taxes are regressive<sup>84</sup> because they take disproportionately larger shares of low incomes than of higher incomes. The Connecticut Department of Revenue Services (DRS) reports that 1.85 million taxpayers paid \$8.7 billion in FY 2013-2014, which represents 53.0% of more than \$16.4 billion in tax revenue and user fees collected that year by the Department of Revenue Services.<sup>85</sup> Many people think Connecticut's taxes are much higher compared to the rest of the states, but in recent years Connecticut ranks right in the middle of the 50 states. The Institute on Taxation and Economic Policy's (ITEP's) January 2015 report shows that the Connecticut's personal income tax is progressive as the personal income tax share of family income increases with income (first figure below). In comparison, the average rates of overall state and local taxes for all states are shown to be regressive (second figure below).

### Connecticut Personal Income Tax Share by Income Group, 2015



Source: Institute on Taxation and Economic Policy, January 2015, <http://www.itep.org/whopays/states/connecticut.php>

<sup>84</sup> See Anderson, P.M. and Bruce D. Meyer (2003). "Unemployment Insurance Tax Burdens and Benefits: Funding Family Leave and Reforming the Payroll Tax," NBER Working Paper 10043, <http://www.nber.org/papers/w10043>.

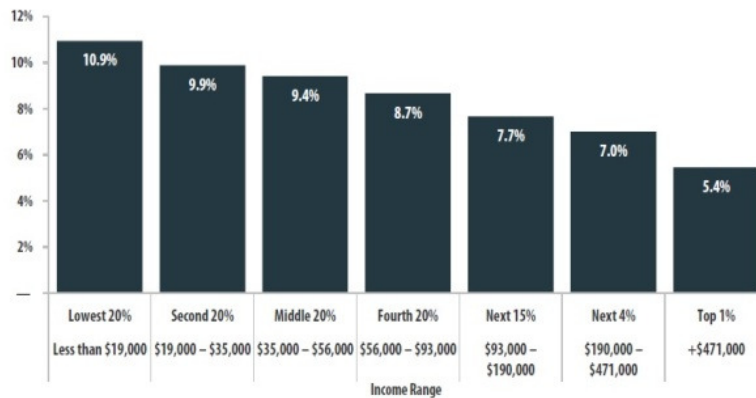
<sup>85</sup> *Fiscal Year 2013-2014 Annual Report*, CT Department of Revenue Services, page 10.

[http://www.ct.gov/drs/lib/drs/research/annualreport/drs\\_fy14\\_annual\\_report.pdf](http://www.ct.gov/drs/lib/drs/research/annualreport/drs_fy14_annual_report.pdf)

## Overall State and Local Tax Rates by Income Group, 2015

### Averages for all States

Shares of family income for non-elderly taxpayers



Source: *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*, Institute on Taxation and Economic Policy, January 2015, <http://www.itep.org/pdf/whopaysreport.pdf>

### Sales Tax

Connecticut's 6.35% sales tax is levied on most retail sales and on some services, exempting food, prescription drugs, and non-prescription drugs. The state collected \$4.1 billion in sales and use taxes in FY 2013-14, which represents 25.0% of more than \$16.4 billion in tax revenue and user fees collected that year by the Department of Revenue Services (see footnote 54).

### Business Taxes

The state collected \$768.5 million in corporate income tax and \$221.7 million in insurance premium taxes from businesses in FY 2013-14. These sums represent 4.7% and 1.4% of more than \$16.4 billion in tax revenue and user fees collected that year by the Department of Revenue Services (see footnote 54, page 51).

When discussing Connecticut taxes, one needs to examine business taxes closely because they affect the state's competitive standing and influence firms' decisions to locate or expand in the state. Businesses take several forms: corporations, sole proprietorships, partnerships, S-corporations and limited liability corporations (LLCs), for example. The state's business tax environment upon which location and expansion decisions depend is influenced by several factors. These factors surface in comprehensive studies that evaluate states' business tax climates. This section summarizes key studies' recent findings on Connecticut's business tax climate.

## The Tax Foundation Analysis

The Tax Foundation's *2015 State Business Tax Climate Index*<sup>86</sup> ranks each state based on its business climate. The business climate index is composed of five separate indices:

- the corporate tax index
- the individual income tax index
- the sales tax index
- the unemployment insurance tax index
- the property tax index

Each index is based on two sub-indices; the tax rate structure, and the applicable tax base for each type of tax. A number one rank shows that state to be the best among the 50 states' tax systems for each category, and a rank 50 is the worst. Connecticut's place in the overall ranking and in each index is listed below.

- Overall business climate index: #42
- Corporate tax index: #32
- Individual income tax index: #34
- Sales tax index: #31
- Unemployment insurance tax index: #20
- Property tax index: #49

Rankings suggest that Connecticut places in the lower mid-range among the 50 states in terms of factors that influence the Tax Foundation's characterization of the business climate.

## The Ernst and Young Analysis

The *Total State and Local Business Taxes: State-by-State Estimates for 2013*<sup>87</sup> report published by Ernst and Young (E&Y) in conjunction with the Council on State Taxation (COST) presents two indicators that evaluate states' business tax burdens. The first is each state's business taxes as a percentage of total state and local taxes. Connecticut's business share of total state and local taxes in FY 2013 was 7.6%. The highest shares were paid by businesses in California (84.3%) and Texas (68.0%).

EY defines the second indicator in this report as "the total effective business tax rate (TEBTR) imposed on business activity by state and local governments". TEBTR is the ratio of state and local business taxes to private sector gross state product (GSP or the total value of a state's production of goods and services by the private sector). The national average TEBTR for FY 2013 was 4.7%; Connecticut's 3.4% TEBTR tied with North Carolina for the second lowest among the states. Tables 10.A and 10.B show the five lowest and highest states, respectively. The lowest business tax share of private sector GSP is Oregon's 3.3%, and the highest, Alaska's was 12.0%. Connecticut's tax burden on business was 27 percent lower than the national average. Total taxes on business in

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<sup>86</sup> <http://taxfoundation.org/article/2015-state-business-tax-climate-index>.

<sup>87</sup> August 2014; available at [www.ey.com](http://www.ey.com)

[http://www.ey.com/Publication/vwLUAssets/Total\\_state\\_and\\_local\\_business\\_taxes:\\_50\\_state\\_estimates\\_for\\_fiscal\\_year\\_2008/\\$File/Total\\_state\\_and\\_local\\_business\\_tax\\_fiscal\\_year\\_2008.pdf](http://www.ey.com/Publication/vwLUAssets/Total_state_and_local_business_taxes:_50_state_estimates_for_fiscal_year_2008/$File/Total_state_and_local_business_tax_fiscal_year_2008.pdf)

Connecticut, as a share of total taxes levied by state and local government, at 28.9 percent, were the lowest in the country — standing at 36 percent below the national average.

**Table 10.A: States with lowest business taxes as a share of state, local, and total taxes and private sector GSP, FY2013 (\$ billions)**

Jurisdiction	State Taxes		Local Taxes		State and Local Taxes		% of GSP
	Business	Total	Business	Total	Business	Total	
Oregon	3.1	10.2	3.1	6.1	6.2	16.3	3.30%
<b>Connecticut</b>	<b>5.3</b>	<b>17</b>	<b>2.3</b>	<b>9.3</b>	<b>7.6</b>	<b>26.3</b>	<b>3.40%</b>
North Carolina	8.8	25	4.8	11.5	13.7	36.5	3.40%
Missouri	3.8	11.8	4.6	9.2	8.5	21	3.50%
Georgia	6.2	18.7	8.1	14.9	14.3	33.6	3.70%

**Table 10.B: States with highest business taxes as a share of state, local, and total taxes and private sector GSP, FY2013 (\$ billions)**

Jurisdiction	State Taxes		Local Taxes		State and Local Taxes		% of GSP
	Business	Total	Business	Total	Business	Total	
New Mexico	3.1	5.4	1.5	2.4	4.6	7.8	6.60%
Wyoming	1.8	2.3	0.8	1.1	2.6	3.4	6.70%
Vermont	1.5	3.0	0.3	0.4	1.8	3.5	7.40%
North Dakota	3.9	5.4	0.8	1.3	4.7	6.7	9.90%
Alaska	5.1	5.3	0.8	1.7	5.9	7.1	12.00%
United States	\$366.70	\$903.30	\$304.10	\$591.90	\$670.80	\$1,495.20	4.70%

Note: Amounts may not sum due to rounding.

\*Average of calendar year 2012 and calendar 2013 private-industry GSP. This is the total effective business tax rate (TEBTR) on economic activity occurring within the state.

Note: District of Columbia taxes are treated as state taxes in this analysis.

Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau, state and local government finances.

## Summary

Depending on which study you consider, Connecticut’s tax rates are either low or mid-ranked compared to other states. The state’s status as one of the highest per capita income in the country, by definition means that in absolute value, residents pay more taxes on average than other states. However, corporate taxes remain relatively competitive with strong tax credit programs that help further reduce the tax burden for targeted industries.

## 6. Healthcare Delivery and Costs

### Affordable Care Act

Since the passage of the ACA which required states to establish insurance exchanges, Connecticut has demonstrated how well even a smaller state can do in implementing health insurance reform through its own exchange. Broad political and industry support for a state-based exchange has

resulted in one of the very best functioning exchanges in the country. Connecticut opted for a conventional exchange and market structure that keeps the individual and small group markets separate, defines small groups as those fifty and under, and has a single statewide exchange selling individual and small group plans through separate web portals. The state’s exchange, Access Health CT (AHCT), is a quasi-governmental entity whose governing board is comprised of fourteen members.<sup>88</sup>

As of February 23, 2015, AHCT enrolled 552,603 residents. Of those, 110,095 have enrolled in Qualified Health plans and 442,508 were processed through AHCT into Medicaid. AHCT’s goal for its November 15, 2014- February 15, 2015 enrollment period was 70,000 new individuals. This goal was exceeded by over 134,000.<sup>89</sup>

In another sign of the success of AHCT, Connecticut ranks in the top ten states in the reduction of the uninsured post ACA.

*States With Largest Reductions in Percentage Uninsured, 2013 vs. 2014*

"Do you have health insurance coverage?" (% No)

	<b>% Uninsured, 2013</b>	<b>% Uninsured, 2014</b>	<b>Change in uninsured (pct. pts.)</b>	<b>Medicaid expansion AND state exchange/ partnership in 2014</b>
Arkansas	22.5	11.4	-11.1	Yes
Kentucky	20.4	9.8	-10.6	Yes
Oregon	19.4	11.7	-7.7	Yes
Washington	16.8	10.1	-6.7	Yes
West Virginia	17.6	10.9	-6.7	Yes
California	21.6	15.3	-6.3	Yes
Connecticut	12.3	6.0	-6.3	Yes
Colorado	17.0	11.2	-5.8	Yes
Maryland	12.9	7.8	-5.1	Yes
Montana	20.7	15.8	-4.9	No
New Mexico	20.2	15.3	-4.9	Yes

Gallup-Healthways Well-Being Index

GALLUP

Due to the success of AHCT, the State is considering licensing or franchising the system to other states. Any profits from this venture will help pay for AHCT’s continuing operation.<sup>90</sup>

<sup>88</sup> [http://www.rockinst.org/aca/states/connecticut/2014-10-Connecticut\\_Baseline\\_Report.pdf](http://www.rockinst.org/aca/states/connecticut/2014-10-Connecticut_Baseline_Report.pdf)

<sup>89</sup> <http://415512gg5ga3d1m572z1uo2qov.wpengine.netdna-cdn.com/wp-content/uploads/2014/11/022315-AHCT-2015-OE-Final-numbers-PR.pdf>

<sup>90</sup> [http://www.nytimes.com/2014/02/25/us/connecticut-plans-to-market-health-exchange-expertise.html?\\_r=0](http://www.nytimes.com/2014/02/25/us/connecticut-plans-to-market-health-exchange-expertise.html?_r=0)

## Health Care Delivery Systems

Connecticut's hospitals are a powerful economic force in the state. They employ over 55,000 workers and spend billions on salaries, equipment, food and construction on new or renovated facilities. This initial spending has a ripple down effect that generates jobs and increased spending in related industries. It is estimated that Connecticut's hospitals annually contribute \$21.9 billion dollars to the state's economy<sup>91</sup>.

For information on the utilization rates of Connecticut Hospitals, please see the Department of Public Health's [Statewide Health Care Facilities and Services Plan](#)<sup>92</sup>. Additional information on Connecticut's hospitals can be found on the Connecticut Hospital Association's website.<sup>93</sup>

## Overall Health in Connecticut

America's Health Rankings<sup>94</sup> is a composite index of over 20 different metrics that give a annual snapshot of health of a population in each state relative to the other states. In 2014 Connecticut was ranked the 4<sup>th</sup> healthiest state in the Country. Connecticut's strengths include the low prevalence of smoking, low occupational fatalities and high immunization coverage among children.

The Department of Public Health's [Healthy Connecticut 2020](#) offers a detailed State health assessment. The study notes that: "Connecticut overall meets most national targets for health and has better health outcomes, compared to many other states, for many indicators, including smoking and obesity prevalence, infectious disease incidence, teen birth rates, and health insurance coverage. Although statewide statistics indicate an overall healthy profile for Connecticut, these numbers provide a misleading description, as striking health disparities exist by age, sex, race, ethnicity, geography, and socioeconomics, highlighting areas and populations in need."<sup>95</sup>

## Health Insurance Coverage and Cost

In Connecticut, 92% of full-time employees are offered health insurance at their place of work, compared to 88.8% nationally.<sup>96</sup> Moreover, 70.7% of part-time workers are offered health care coverage which is comparable to the national average of 71.4%.<sup>97</sup> Overall, 679,058 employees are insured by their place of work in Connecticut; however, this represents less than half of Connecticut's workforce.<sup>98</sup>

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<sup>91</sup> Connecticut Hospitals: Care We Can Count On. *Connecticut Hospitals 2015 Economic Impact Report*. February 2015.  
[http://documents.cthosp.org/9/Economic\\_Impact%208p.pdf](http://documents.cthosp.org/9/Economic_Impact%208p.pdf)

<sup>92</sup> [http://www.ct.gov/dph/lib/dph/ohca/publications/2014/final\\_2014\\_facilities\\_plan\\_-\\_2\\_24\\_15.pdf](http://www.ct.gov/dph/lib/dph/ohca/publications/2014/final_2014_facilities_plan_-_2_24_15.pdf)

<sup>93</sup> <http://www.chime.org/advocacy/connecticut-hospitals-by-the-numbers/>

<sup>94</sup> <http://www.americashealthrankings.org/CT>

<sup>95</sup> Connecticut Department of Public Health. 2014. *Healthy Connecticut 2020. 1: State Health Assessment*. Hartford, CT: Connecticut Department of Public Health.

<sup>96</sup> Agency for Healthcare Research and Quality. *Percent of private-sector full-time employees at establishments that offer health insurance by firm size and State* (Table II.B.3.b), year 2013.

[http://meps.ahrq.gov/mepsweb/data\\_stats/quick\\_tables\\_results.jsp?component=2&subcomponent=2&year=-1&tableSeries=2&searchText=&SearchMethod=1&Action=Search](http://meps.ahrq.gov/mepsweb/data_stats/quick_tables_results.jsp?component=2&subcomponent=2&year=-1&tableSeries=2&searchText=&SearchMethod=1&Action=Search)

<sup>97</sup> Agency for Healthcare Research and Quality. *Percent of private-sector part-time employees at establishments that offer health insurance by firm size and State* (Table II.B.4.b), year 2013.

[http://meps.ahrq.gov/mepsweb/data\\_stats/summ\\_tables/insr/state/series\\_2/2013/tiib4b.htm](http://meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2013/tiib4b.htm)

<sup>98</sup> US Bureau of Labor Statistics. "May 2014 Occupational Employment and Wage Estimates,"

[http://www.bls.gov/oes/current/oes\\_ct.htm#00-0000](http://www.bls.gov/oes/current/oes_ct.htm#00-0000)



Health Insurance coverage of Connecticut’s total population compared to the national rate is shown in the table below.

Location	Employer	Other Private	Medicaid	Medicare	Other Public	Un-insured	Total
Connecticut	56%	5%	14%	15%	N/A	9%	100%
United States	48%	6%	16%	15%	2%	13%	100%

Source: The Henry J. Kaiser Family Foundation

Between 2010 and 2014, Connecticut family premiums increased by 22%<sup>100</sup> while average wages rose only 6.0%<sup>101</sup>.

Year	Connecticut Family Premiums	Connecticut Percent Change	U.S. Family Premiums	U.S. Percent Change
2010	\$14,888		\$13,871	
2011	\$16,265	9.2%	\$15,022	8.3%
2012	\$16,891	3.8%	\$15,473	3.0%
2013	\$16,874	-0.1%	\$16,029	3.6%
2014	\$18,123	7.4%	\$16,655	3.9%

Source: Agency for Healthcare Research and Quality

## 7. Housing Cost and Availability

### Housing and the Economy

Housing is an important driver in the economy both due to its role in providing homes for the regions workforce as well as the jobs that can be generated when new housing is created or older homes are renovated. The role housing construction and maintenance as an economic driver is fairly well understood and recognized. Construction activity is economic activity – goods and materials are produced, sold and purchased and jobs are created – and the largest portion of most people’s personal consumption is related to housing.

The National Association of Home Builders (NAHB) estimates that for every 100 single family homes built in a “typical U.S. metropolitan area” \$28.7 million in local income and \$3.6 million in taxes and other revenue for local governments are generated and 394 local jobs are created. These are “one-year impacts that include both the direct and indirect impact of the construction activity

<sup>99</sup> <http://kff.org/other/state-indicator/total-population/?state=CT>

<sup>100</sup> Agency for Healthcare Research and Quality, *Average total family premium (in dollars) per enrolled employee at private-sector establishments that offer health insurance by firm size and State*, (Table II.D.1), years 2009-2013.

[http://meps.ahrq.gov/mepsweb/data\\_stats/quick\\_tables\\_search.jsp?component=2&subcomponent=2&year=2013&tableSeries=1&tableSubSeries=&searchText=&searchMethod=1](http://meps.ahrq.gov/mepsweb/data_stats/quick_tables_search.jsp?component=2&subcomponent=2&year=2013&tableSeries=1&tableSubSeries=&searchText=&searchMethod=1)

<sup>101</sup> Calculations based on occupational wage data from <http://www.bls.gov/oes/tables.htm>

itself and the impact of local residents who earn money from the construction activity spending part of it within the local area.”<sup>102</sup> These same 100 units will also generate \$4.1 million in local income, \$1.0 million in taxes and other revenue for local governments, and 69 local jobs annually.

NAHB also estimates that the one-year local impacts of building 100 multifamily units in the “typical U.S. metropolitan area include, \$11.7 million in local income, \$2.2 million in taxes and other revenue for local governments, and 161 local jobs”. These same 100 units will also generate “\$2.6 million in local income, \$503,000 in taxes and other revenue for local governments, and 44 local jobs.” (see footnote 71)

As illustrated above, housing contributes to economic output in two ways: 1) new construction, remodeling and real estate transaction fees; and 2) personal consumption of housing-related goods and services (e.g. furniture, appliances, house cleaning, lawn care).

### **Housing Cost**

Housing affordability is generally defined as paying no more than 30 percent of household income for housing costs, including mortgages, property taxes and insurance. According to a National Low Income Housing Coalition report<sup>103</sup> in 2015, the Fair Market Rent (FMR) in Connecticut for a two-bedroom apartment is \$1,263. In order to afford this level of rent and utilities – without paying more than 30 percent of income on housing, a household must earn \$4,210 a month or \$50,515 annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into a housing hourly wage rate of \$24.29. The average renter wage in Connecticut is \$16.16/hour.

Nationally, Connecticut ranks 6th in monthly median housing costs (rental and homeowner) at \$1,337 per month, and 8th in median home values at \$267,000.

### **Housing Availability**

According to a study by the Partnership for Strong Communities: “. . . demand for multifamily housing, nationally and locally, continued its climb, with increased interest in smaller, denser, more affordable, energy-efficient homes within walking distance to services and, if possible, close to mass transit. . . Nationwide, the Mortgage Bankers Association reported that multifamily lending rose a startling 18% in 2013 over 2012, reflecting enormous demand.”<sup>104</sup> Connecticut’s per capita rate of housing production increased over the last two years but still ranked 50th for the last decade.

In response to this increased demand, the Department of Housing has ramped up its affordable housing production efforts. In 2011 only 100 affordable units were completed, whereas 3,498 affordable units were completed from 2012 through the first quarter of 2015. DOH has another 2,987 affordable units under construction.

Table 13.1 shows the communities with the fastest growing housing stock between 2010 and 2014. Chester showed the largest increase. Conversely, Table 13.2 shows the ten communities with the slowest growing housing stock over this same period. An additional nine towns experienced a net loss of housing stock.

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<sup>102</sup> The Economic Impact of Home Building in a Typical Local Area Income, Jobs and Taxes Generated, April 2015 [http://www.nahb.org/~media/Sites/NAHB/LMA/FileUploads/35601-1-REPORT\\_local\\_20150318115955.ashx?la=en](http://www.nahb.org/~media/Sites/NAHB/LMA/FileUploads/35601-1-REPORT_local_20150318115955.ashx?la=en)

<sup>103</sup> National Low Income Housing Coalition, *Out of Reach 2015*

<sup>104</sup> [http://pschousing.org/files/PSC\\_HousingInCT2014\\_Final.pdf](http://pschousing.org/files/PSC_HousingInCT2014_Final.pdf)

<b>Table 13.1: 10 Towns/Cities With Fastest Growing Housing Stock, 2010-14</b>			
<b>Place/Town</b>	<b>2010</b>	<b>2014</b>	<b>Percent Change</b>
Connecticut	1,487,891	1,501,746	.93%
<b>Chester</b>	1,923	2,032	5.67%
<b>East Lyme</b>	8,458	8,892	5.13%
<b>Simsbury</b>	9,123	9,510	4.24%
<b>Ellington</b>	6,665	6,933	4.02%
<b>Stamford</b>	50,573	52,429	3.67%
<b>Danbury</b>	31,154	32,223	3.43%
<b>Prospect</b>	3,474	3,588	3.28%
<b>Shelton</b>	16,146	16,636	3.03%
<b>Bethel</b>	7,310	7,530	3.01%
<b>Somers</b>	3,479	3,580	2.90%
<i>Source: DOH</i>			

<b>Table 13.2: 10 Towns/Cities With Slowest Growing Housing Stock, 2010-14</b>			
<b>Place/Town</b>	<b>2010</b>	<b>2014</b>	<b>Percent Change</b>
<b>Trumbull</b>	13,157	13,175	0.14%
<b>Derby</b>	5,849	5,857	0.14%
<b>Meriden</b>	25,892	25,916	0.09%
<b>Hamden</b>	25,114	25,134	0.08%
<b>Ansonia</b>	8,148	8,154	0.07%
<b>Torrington</b>	16,761	16,771	0.06%
<b>Lebanon</b>	3,125	3,125	0.00%
<b>North Canaan</b>	1,587	1,587	0.00%
<b>Redding</b>	3,811	3,811	0.00%
<b>Woodbridge</b>	3,478	3,478	0.00%
<i>Source: CT Department of Housing</i>			

For more information on the State’s plan to address its housing needs please see the DOH’s website for important publications such as the [State Long Range Housing Plan](#) and the [5-Yr Consolidated Plan for Housing and Community Development](#).<sup>105</sup>

## 8. Land Use in Connecticut

Land use is crucial to economic development and transportation is crucial to land use. The critical linkage among the three necessitates a thorough understanding of the principles of growth management such that proceeding from where we are protects and sustains our vital water, land and natural resources and is supported to the extent possible by the established infrastructure.

<sup>105</sup>CT Department of Housing, Policy and Research Publications, <http://www.ct.gov/doh/cwp/view.asp?a=4513&q=530462>

Connecticut's [\*2013-2018 Plan of Conservation and Development\*](#)<sup>106</sup> is an important contribution to the understanding of the status quo and contains a comprehensive set of policies for sustaining and improving our quality of life with rational use of our land and sound economic and transportation development.

### **Transit-Oriented Development**

State investments in public transportation equipment and operations are even more cost-effective when supportive land use planning and design is deployed. Transit-oriented land use is a process whereby communities plan and zone for intensive, mixed-use development in close proximity to transit stations or along transit corridors where physical infrastructure is typically already in place. A wide variety of transportation options, including train, bus, car, bicycle and walking should be integrated into the area's design in order to provide travel choices and improve the overall effectiveness of the transit system for all its users.

Connecticut communities that currently have stations along the New Haven Line and its branches and the Shoreline East commuter rail line, the Connecticut Fast Track and the to-be-built New Haven to Springfield train line have the greatest potential for transit-supportive land use.

### **Open Space**

The state has an overall goal is to preserve 21% of Connecticut's land as open space by the year 2023, a total of 673,210 acres. The initiative includes 10% of open space to be state owned as additions to the state's system of parks, forests, wildlife, fisheries and natural resource management areas, with the remaining 11% owned by municipalities, private nonprofit land conservation organizations, water companies and the federal government. As of December 2013 DEEP and its partners hold 496,191 acres or close 15% of Connecticut's land area, representing 73% of the goal.<sup>107</sup>

## **9. Brownfields**

Vacant and underutilized mills and industrial/commercial properties are a significant land use issue for all Connecticut towns. Brownfields potentially worsen the economic and social blight already experienced in these areas, and are contrary to the state's responsible growth strategies. There are several factors through which brownfields negatively affect local economies:

- Decrease neighboring property values;
- Create a disincentive for investment in the surrounding area;
- Create significant opportunity costs in terms of jobs and tax revenue;
- Contribute to sprawl as new business opportunities seek to develop raw land in lieu of reusing former commercial and industrial sites; and
- Are a source of contamination to ground water and soil.

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<sup>106</sup> *Conservation and Development Policies: The Plan for Connecticut, 2013-2018*, CT Office of Policy and Management, [http://www.ct.gov/opm/lib/opm/igp/org/cdupdate/2013-2018\\_cd\\_plan.pdf](http://www.ct.gov/opm/lib/opm/igp/org/cdupdate/2013-2018_cd_plan.pdf)

<sup>107</sup> [http://www.ct.gov/deep/lib/deep/open\\_space/Green\\_Plan\\_Info\\_Summary.pdf](http://www.ct.gov/deep/lib/deep/open_space/Green_Plan_Info_Summary.pdf)

## **Connecticut's Response to Brownfield Issues**

DECD's Office of Brownfield Remediation and Development directs and manages DECD's investments to recover properties suffering blight due to contamination, in partnership with Connecticut's DEEP to help guide growth strategies moving forward. Connecticut has several financial programs to promote brownfield redevelopment as well as general-purpose programs for development and business assistance.

Brownfield remediation is an important element of economic development and in implementing the state's responsible growth strategies. It allows communities to revitalize their inventory of developed land as job generators, housing, community facilities and open space.

## **10. Business Regulation**

In October 2013, Gov. Malloy signed an Executive Order (EO) aimed at streamlining state regulations. EO No. 37 invited public comment on all state regulations more than four years old, asking for the public's help in identifying regulations that are obsolete, duplicative, excessively burdensome, or otherwise ineffective or unnecessary. The EO also established principles of smart, cost-effective, accessible and transparent regulations for future agency endeavors.<sup>108</sup> In addition, under Governor Malloy's direction, state agencies have been looking to find efficiencies under the philosophy known as LEAN.

### **Reducing Regulation**

On June 11, 2014, nearly 1,000 pages of obsolete, duplicative, or ineffective state regulations were eliminated as a consequence of a new legislation signed by Gov. Malloy. The Governor had proposed in 2012 that all regulations be made available online. With the passage and signing of Public Act 14-187, *An Act Eliminating Unnecessary Government Regulation*, all state regulations are now online at [www.ct.gov/eregulations](http://www.ct.gov/eregulations). The new legislation affects regulations contained within the Department of Labor, the Department of Administrative Services, the Department of Energy & Environmental Protection, and other regulations have since been repealed.

Some examples of regulations that were eliminated include:

- An outdated and discriminatory Department of Labor regulation of unknown age that prohibits women from working alone between the hours of 1:00 a.m. and 6:00 a.m.
- Several outdated and conflicting regulations contained within the Department of Administrative Services that have been unnecessary since the adoption of the state building code in the late 1980s
- A regulation regarding the grading of Connecticut-grown apples that duplicates USDA regulations and has never been used
- Multiple Department of Economic & Community Development regulations dealing with programs repealed by the legislature many years ago, some as far back as the late 1980s

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<sup>108</sup> Press Release: "GOV. MALLOY: REGULATORY REVIEW AT STATE AGENCIES WILL INCREASE TRANSPARENCY AND PROVIDE GREATER OPPORTUNITIES FOR ECONOMIC GROWTH," October 16, 2013

- A Department of Energy & Environmental Protection regulation setting forth detailed standards on the use of a pesticide that has not been used in Connecticut since the late 1970s and is otherwise regulated by the department's more up-to-date pesticide regulations
- Dozens of other regulations pertaining to statutes that have long since been repealed.<sup>109</sup>

### **Permit Ombudsman**

The Office of the Permit Ombudsman, located within the Department of Economic and Community Development, expedites the regulatory state agency approvals for qualifying economic development projects. The office acts as a facilitator between state regulatory agencies and businesses to prioritize projects through regulatory approvals and resolve permitting issues.

### **LeanCT**

Reducing the steps or processes required of businesses to obtain permits and licenses can improve the regulatory climate. In this regard the “LeanCT” initiative has attempted to create a more “business friendly” environment. The Office of Policy and Management coordinates the effort and performs the following functions:

1. Works with agencies to provide and/or identify resources for the deployment of process improvement efforts, as well as foster internal capacity within agencies to undertake this work;
2. Works with agencies to promote an organizational culture that stimulates employee creativity and problem-solving skills to make real and lasting changes;
3. Coordinates efforts to maximize efficiency initiatives through the use of technology;
4. Assists in developing partnerships with private and non-profit sectors to glean information on best practices and improve the way Connecticut does business;
5. Collects data and report on agency process improvement projects, including information on completed and proposed projects, improvement outcomes and process participants;
6. Report on the progress of the implementation of the state's process improvement efforts and take other actions as are appropriate to this critical effort.<sup>110</sup>

A full report on lean activity and achievements by agency is available. See “[Continuous Improvement in Connecticut State Government: A Focus on Lean](#),” by the Office of Policy and Management.<sup>111</sup>

## **11. Social Services**

In addition to providing a variety of support services to individuals and families, Connecticut state agencies administer programs to encourage individuals to join the workforce. For example, The Bureau of Education and services for the Blind (BESBE), within the Department of Rehabilitation Services, provides vocational services to individuals of all ages who are legally blind. The primary

<sup>109</sup> Press Release: “GOV. MALLOY SIGNS LEGISLATION ELIMINATING NEARLY 1,000 PAGES OF STATE REGULATIONS,” June 11, 2014.

<sup>110</sup> [http://www.ct.gov/opm/cwp/view.asp?a=4595&q=538306&opmNav\\_GID=2162](http://www.ct.gov/opm/cwp/view.asp?a=4595&q=538306&opmNav_GID=2162)

<sup>111</sup> [http://www.ct.gov/opm/lib/opm/CT\\_Lea\\_n\\_Government\\_Report\\_2014\\_-\\_Final.pdf](http://www.ct.gov/opm/lib/opm/CT_Lea_n_Government_Report_2014_-_Final.pdf)

goal of the Vocational Rehabilitation Division is to help legally blind adults obtain independence through employment. Some of the vocational services BESB provides include:

- Job-retention services enabling people to remain competitively employed;
- Assistive Technology allowing individuals to function better on the job; and
- Counseling services that help job seekers make informed vocational decisions.

DMHAS also provides employment services to persons in recovery who experience behavioral health Conditions. From the recovery perspective, meaningful employment has been shown to promote recovery from psychiatric and addiction disorders and to facilitate improvements in diverse domains from symptom relief to successful community integration. Currently, DMHAS funds 34 agencies across Connecticut to provide a broad menu of employment and education services. While employment strategies must be tailored to meet individual needs, agencies generally offer a range of services including career planning, job search assistance, job placement, on- and off-the-job coaching, and career advancement services. Over 4,000 residents per year are assisted in finding and keeping employment through the DMHAS system.

The Offender Reentry Unit within DOC has six job centers located at correctional institutions throughout the state. Job Center counselors provide assistance with resume writing, job interviewing skills and job search before offenders leave incarceration.

The following table shows the FY 2015 budget for each agency that administers social service programs. Please see the agency websites and OPM budget summary for more details.

<b>Agency</b>	<b>FY 2015 Budget</b> <sup>112</sup>
<a href="#">Department of Social Services</a>	\$3,015,896,484
<a href="#">Department of Developmental Services</a>	\$1,098,710,095
<a href="#">Department of Children and Families</a>	\$815,802,325
<a href="#">Department of Corrections</a>	\$684,878,383
<a href="#">Department of Mental Health and Addiction Services</a>	\$614,457,068
<a href="#">Department of Housing</a>	\$84,398,909
<a href="#">Veteran’s Affairs</a>	\$29,652,729
<a href="#">Department of Rehabilitation Services</a>	\$25,612,333

Source: State of Connecticut Office of Policy and Management

It is important to mention that Connecticut has a vast network of private and not-for-profit organizations that provide social services to the state’s residents. Many non-governmental organizations are assisting to promote welfare for all of Connecticut.

## 12. Emergency Preparedness

Connecticut is engaged in the national effort prevent terrorist attacks within the state and nation as well as plan for natural disaster recovery. This is accomplished by four overarching goals:

<sup>112</sup> [http://www.ct.gov/opm/lib/opm/budget/2015midterm/budget/3.section\\_b\\_final.pdf](http://www.ct.gov/opm/lib/opm/budget/2015midterm/budget/3.section_b_final.pdf)



prevention, preparedness, response and recovery.<sup>113</sup> Connecticut has always had a multi-hazard approach to emergency planning, including natural disasters and terrorism. This means the state has plans in place to cover all types of disasters.

The Division of Emergency Management and Homeland Security (DEMHS), within the Department of Emergency Services and Public Protections (DESPP), is charged with developing, administering, and coordinating a comprehensive and integrated statewide emergency management and homeland security program that encompasses all human-made and natural hazards, and includes prevention, mitigation, preparedness, response, and recovery components to ensure the safety and well-being of the citizens of Connecticut. The duties of DEMHS, within the DESPP are outlined in Connecticut General Statutes Title 28.

### **Connecticut's Emergency Response Planning**

DEMHS is leading a number of multi-agency task forces charged by Governor Malloy with preparing state government plans to deal with terrorism. Each plan is compliant with the National Incident Management System (NIMS) and supportive of both state and national strategies.

DEMHS has divided the state into five emergency planning regions and is organizing planning teams in each region to develop Regional Emergency Response Plans. This effort is being spearheaded by the DEMHS regional offices and the regional planning organizations. Many local agencies are assisting in the process as well. Additionally, DEMHS is working with local agencies to establish, equip, and train five regional response teams capable of responding to any type of terrorist incident.

The agency's [\*State Response Framework\*](#)<sup>114</sup> describes the interaction of state government with local, federal and tribal governments, nongovernmental response organizations and other private sector partners, the media, and the public in implementing emergency response and recovery functions in times of crisis. In general, the Framework describes how the State of Connecticut and its partners will work together to support local governments and their residents to manage emergencies in the State of Connecticut.

The state engages all departments and municipalities in the plan including regular testing of communication systems and backup plans.

### **Critical Assets Identification**

DEMHS has made protection of Connecticut's critical assets a top priority of the state's Homeland Security Initiative against terrorism. DEMHS has been working with its government and private sector partners to evaluate these sites and develop plans of actions to increase security at each asset. These critical assets include infrastructure (dams, power plants, etc.), locations, or events where large groups of people gather, and symbols of power, such as the Capitol. DEMHS offers these

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<sup>113</sup> Connecticut Department of Emergency Management and Homeland Security: Overview.

<<http://www.ct.gov/demhs/cwp/view.asp?a=1939&q=308364&demhsNav=1>> Accessed April 30, 2015.

<sup>114</sup> *State Response Framework, Version 4.1, September 2014*, CT Department of Emergency Management and Homeland Security, [http://www.ct.gov/demhs/lib/demhs/srf\\_v\\_4\\_1.pdf](http://www.ct.gov/demhs/lib/demhs/srf_v_4_1.pdf)



critical assets review to government and private sectors at no charge. A specially trained group of state troopers assigned to DEMHS conducts the assessments.

### **Connecticut Intelligence Center**

This multi-agency center is located at the FBI's Connecticut office. The center includes federal, state and local law enforcement personnel working side by side to develop leads and solve cases. The center is connected to every local law enforcement agency by specially trained intelligence liaison officers who report to regional intelligence officers to report to and work at the Connecticut Intelligence Center (CTIC). The CTIC produces weekly intelligence bulletins that are distributed electronically to law enforcement and others (like fire chiefs, fire marshals, emergency managers and health directors) who work in the field and may come upon important information.

### **Standardized Incident Response**

Connecticut is prepared to respond to any incident, including terrorism, using the NIMS. Training is being provided by FEMA personnel to all emergency responders in the state to standardize the system, manage incidents and will enable all Emergency First Responders to function in a multi-discipline and multi-jurisdictional response and better coordinate their efforts through a seamless integration of resources. To further this goal all equipment purchased and distributed to first responders has been standardized to ensure compatibility.

### **Working with Local Government Partners**

The backbone of Connecticut's Homeland Security program rests with the Coordinating Council. This council has representatives from over 25 different agencies, both state and local. The council meets monthly and provides the guidance to DEMHS on developing its statewide strategy and funding distribution models.

### **State Emergency Operations Center**

The Emergency Operations Center is the managing arm over Connecticut's deployment of regional emergency first response teams, and would activate the responders if a terrorist event occurred. It can be activated and operational at a moment's notice.

## **13. Technology Transfer**

Technology transfer refers to the formal licensing of technology to third parties, under the guidance of professionals employed by universities, research foundations and businesses, in departments focused on these activities.<sup>115</sup> Through technology incubator programs and research parks, universities are now at the forefront of development of patents and new technologies in Connecticut. Working directly with researchers, university programs, along with community colleges and local non-profits with an interest in entrepreneurial and workforce development, have helped Connecticut rank in the top 10 states in the United States under the latest State Technology and Science Index.<sup>116</sup>

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<sup>115</sup> Yale University, Office of Cooperative Research. "Technology Transfer Overview," <http://ocr.yale.edu/faculty/frequently-asked-questions>

<sup>116</sup> <http://statetechandscience.org/statetech.taf?page=state&state=CT>

## Tech Transfer in Connecticut Universities

Connecticut has impressive science and technology resources that include Yale University and the University of Connecticut (UConn), as well as major research corporations, strong financial and insurance companies, and manufacturing industries. The infrastructure is in place for development and fruition of new inventions, but it could be better. The state would benefit from additional, early-stage seeding, as well as the commercialization services surrounding the universities, relative to comparable states.

At Yale, the Office of Cooperative Research (OCR) handles the process from invention to production for eager researchers. The duties of OCR include oversight for patenting and licensing activities, university inventions, and contractual relationships between faculty and industry. OCR staff work with Yale researchers to identify inventions that may ultimately become commercial products and services useful to the public. OCR staff engage in industrial partnerships to license Yale inventions. An important goal of the Yale OCR is to identify new ideas, cultivate venture funding for them, and facilitate their development into companies that become part of the New Haven economy.<sup>117</sup>

At UConn, Technology Commercialization Services (TCS) under the Office of the Vice President for Research manages the commercial applications of the discoveries, inventions and technologies developed at the university. Each year the group receives and evaluates about 70 new invention disclosures, files approximately 30 new U.S. patent applications and signs nearly 15 new commercial agreements. TCS will assess an invention for its commercial potential by evaluating its technical strength, market potential, patentability and strength as if issued as a patent. Once the evaluation is completed, TCS will work with potential partners to license the technology. With UConn backing its own faculty and student researchers, the university sets a good example for the rest of the state — that promising ideas and proper promotion can lead to exposure and marketability of new inventions. These inventions could fuel the next great industry for the state.<sup>118</sup>

Successful tech transfer programs across the country have the following in common: strong and focused university research base, angel and early-stage capital, innovation centers, academic leadership and culture, entrepreneurship programs, technology incubator programs and research parks, and long-term development.<sup>119</sup> Connecticut's universities are producing new technologies every year, and financing these developments can only strengthen the state's blossoming high-tech industries.

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<sup>117</sup> Yale University, Office of Cooperative Research, "About Yale OCR," <http://www.yale.edu/ocr/about/index.html>

<sup>118</sup> <http://research.uconn.edu/technology-commercialization/commercialization-support/>

<sup>119</sup> Innovation Associates. "A Report to the Connecticut Technology Transfer and Commercialization Advisory Board of the Governor's Competitiveness Council," October 2004.

## II. Connecticut Enterprise Zones

The goal of the EZ Program includes, but is not limited to, increasing private investment, expanding the tax base and fostering job creation for residents. The program also reduces property abandonment and housing blight in these zones. Measures of performance include:

- Number of companies certified;
- Number of jobs created by industry and by town; and
- Square footage leased, purchased, expanded or renovated.

For the period November 1, 2013, to October 31, 2014 (local tax cycle), DECD certified 45 companies for EZ-related incentive benefits. Another 65 pre-applications were received and reviewed in anticipation of certifications in 2015. The gross floor space of all the projects certified in 2014 was 1,068,061 square feet. In addition 1,216 jobs were retained and 544 new positions were projected by certified businesses.

The State spends approximately \$8.4 million each year to reimburse participating towns 50% of the tax abatement received by eligible businesses in the Enterprise Zone. The Enterprise Zone program offers a low cost-per job compared to DECD's loan and grant portfolio. The average Enterprise Zone cost-per-job for 2014 was \$4,772 whereas DECD's dollar cost per job based on actual Job audit results for its loan and grant recipients was \$11,185 in FY 2015.

The following tables provide details on Connecticut's EZ Program activity in FY 2014, (the most recent data available).

	<b>Area ( in ft<sup>2</sup>)</b>	<b>Existing Jobs</b>	<b>Projected Jobs</b>	<b>Total Jobs</b>
<b>Construction</b>	101,425	618	0	618
<b>Expansion</b>	6,400	67	2	69
<b>Leased Property</b>	960,236	531	542	1,073
<b>TOTAL</b>	<b>1,068,061</b>	<b>1,216</b>	<b>544</b>	<b>1,760</b>

*Source: DECD, OBD*

The most active municipalities were the cities of Bridgeport and Waterbury. These represent 505,498 square feet of space and 358 new jobs in these distressed communities.

<b>Table 16: Certifications by Municipality and by Program Code Key</b>	
EZ	Enterprise Zone
UJ	Urban Jobs program
ECZ	Enterprise Corridor Zone
DPZ	Defense Plant Zone
RDZ	Railroad Depot Zone
ED	Entertainment District
CMZ	Contiguous Manufacturing Zone

Source: DECD, OBD

<b>Table 17: FY 2014 Certifications by Municipalities and by Program</b>							
<b>Location</b>	<b>EZ</b>	<b>UJ</b>	<b>ECZ</b>	<b>DPZ</b>	<b>RDZ</b>	<b>ED</b>	<b>CMZ</b>
<b>Beacon Falls</b>			1				
<b>Bridgeport</b>	13	1				1	
<b>Bristol</b>		2					
<b>Cheshire</b>							
<b>East Hartford</b>					4		
<b>Hamden</b>		1					
<b>Hartford</b>	1						
<b>Killingly</b>			1				
<b>Meriden</b>							
<b>Naugatuck</b>			1				
<b>New Britain</b>	1	4					
<b>New Haven</b>							
<b>Norwalk</b>							
<b>Putnam</b>			1				
<b>Plainville</b>							1
<b>Southington</b>							
<b>Stamford</b>	3						
<b>Seymour</b>							
<b>Torrington</b>			1				
<b>Waterbury</b>	6	2					
<b>TOTAL = 45</b>	<b>24</b>	<b>10</b>	<b>5</b>		<b>4</b>	<b>1</b>	<b>1</b>

Source: DECD, OBD

### III. Development Research and Economic Assistance Matching Grant Program

DECD has provided CI with up to \$137,902 within available appropriations to be used to provide matching grant funding to companies and projects that have federally supported technology through Small Business Innovation Research (SBIR), Small Business Technology Transfer (STTR) or other projects. There have been three companies funded through the DREAM program appropriation.

## IV. A Review of the State's Economic, Community and Housing Development Structure

### CT Department of Economic and Community Development (DECD)

- DECD is the lead agency for economic & community development and implements strategies to increase the state's economic competitiveness, business recruitment, arts, culture, and tourism.
- Recurring operating expenses - \$27,881,158 (2013-14) (includes \$8,804.873 of line items for individual not-for-profit organizations)
- Business and Industry Development
- Brownfield Remediation (Funding assistance, liability relief)
- Lead facilitator and strategic catalyst of international trade and export promotion activity within the state with U.S. DOC Export Assistance Center
- Partners with federal Small Business Administration (SBA) and Small Business Development Center - Connecticut (SBDC)
- Arts, Historic Preservation, Culture, and Tourism
- Connecticut Office of Film, Television, and Digital Media
- Manufacturing Innovation Fund (MIF) with CCAT and DOL
- Provides grants, loans, financial assistance for each of these program areas (e.g. MAA, URA, MIF, JET, "First Five/Next Five," EXP, arts grants, brownfield loans and grants, arts and historic preservation grants)
- Economic research (REMI, EIAs, studies) and other administrative functions

### CT Department of Housing (DOH)

- DOH is the lead agency to strengthen and revitalize communities by promoting affordable housing, seeks to eliminate homelessness, catalyze creation and preservation of quality, affordable housing to meet the needs of all individuals and families to ensure Connecticut continues to be a great place to live and work.
- Recurring operating expenses - \$5,513,421 (2013-14)
- Housing Development
- Individual & Family Support
- Community Development
- Policy, Research & Housing programs
- CDBG-DR Super Storm "Sandy"
- Very low, low, and moderate income housing support

### CT Innovations (CI)

- CI is the leading source of financing and ongoing support for Connecticut's innovative, growing companies. Offers flexible financing, strategic guidance and introductions to valuable partners that enables promising businesses to thrive.
- Assets of \$241 million (12/31/14). Leverages federal and private sources of capital (e.g. SBI).
- Venture capital
- Loans
- Support for Innovation programs through CT Next
- Industrial Revenue Bonds (IRBs)/Specialty Finance

- Partners with venture capitalists (VCs) such as Greycroft, Canaan Partners, Level Equity, Charles River Ventures, Rho Ventures, Goldman Sachs, etc.
- Collaborates with CT's banks.
- Bioscience Innovation Fund

### **CT Housing Finance Authority (CHFA)**

- CHFA provides financing for the acquisition, construction, and/or rehabilitation of affordable rental housing for families and the elderly across Connecticut. Helps alleviate the shortage of affordable housing for low- and moderate-income families and persons in Connecticut.
- CHFA has helped more than 130,000 families and individuals achieve home ownership.
- Combined mortgage financing for CHFA's single- and multifamily housing programs exceeds \$11 billion.
- Foreclosure prevention
- Rental housing
- Partners with developers, communities, state agencies & non-profits in creating innovative, affordable housing
- Launched the Connecticut Fair Alternative Mortgage Lending Initiative and Education Services Program (CTFAMLIES) and revamped the Emergency Mortgage Assistance Program (EMAP) for families in financial distress.

### **CT Economic Resource Center (CERC)**

- Nonprofit 501(c)3 corporation and public-private partnership that provides economic development services consistent with state strategies, leveraging Connecticut's unique advantages as a premier business location. Provides research, marketing, and economic development services.
- [CT's Business Response Center \(BRC\)](#)
- [CERC SiteFinder®](#) and [CERC Program Finder®](#)
- [CERC Town Profiles](#)

### **Regional Councils of Governments (RCOGs) in Connecticut**

- Connecticut's planning regions provide a geographic framework within which municipalities can jointly address common interests, and coordinate such interests with state plans and programs. State statutes authorize the secretary of the Office of Policy and Management (OPM) to designate or re-designate the boundaries of logical planning regions, whereas the member municipalities of each planning region are authorized under separate state statutes to establish a formal governance structure known as a regional council of governments (RCOG).
- [Capitol Region Council of Governments](#), Hartford
- [Greater Bridgeport Regional Council](#), Bridgeport
- [Lower Connecticut River Valley Council of Governments](#), Essex
- [Naugatuck Valley Council of Governments](#), Waterbury
- [Northeastern Connecticut Council of Governments](#), Dayville
- [Northwest Hills Council of Governments](#), Goshen
- [South Central Regional Council of Governments](#), North Haven
- [Southeastern Connecticut Council of Governments](#), Norwich

- [Western Connecticut Council of Governments](#), Stamford

### **Financing Partners**

- [Community Economic Development Fund \(CEDF\)](#) – Loans and technical assistance to small businesses, and grants to community organizations for economic development projects
- [Crossroads Venture Group \(CVG\)](#) – Assisting the development of high-growth enterprises through the promotion of capital formation
- [Connecticut Community Investment Corporation](#) - Provides financial expertise and practical guidance to small business entrepreneurs in Connecticut

### **Regional Lending Partners**

#### **NORTH CENTRAL REGION**

- [Hartford Economic Development Corporation \(HEDCO\)](#) and [Greater Hartford Business Development Center \(GHBDC\)](#)
- [MetroHartford Alliance](#)
- [Hartford Community Loan Fund](#)

#### **EASTERN REGION**

- [Northeast Connecticut Economic Alliance Regional Revolving Loan Fund](#)
- [South East Connecticut Enterprise Region \(SECTER\)](#)

#### **SOUTH CENTRAL REGION**

- [Middletown Business Loan Program](#)
- [Middlesex County Revitalization Commission](#)

#### **NORTHWEST REGION**

- [Waterbury Development Corporation](#)
- [Litchfield Hills Regional Micro-Loan Program](#)

#### **SOUTHWEST REGION**

- [Community Capital Fund](#)
- [Waterbury Development Corp](#)

### **Technical Assistance Providers**

- [Connecticut Business Incubator Network](#)
- [Connecticut Center for Advanced Technology, Inc. \(CCAT\)](#) - Helps private and public entities to apply innovative tools and practices to increase efficiencies, improve workforce development and boost competitiveness.
- [Connecticut Chambers of Commerce](#)
- [Connecticut State Technology Extension Program \(CONNSTEP\)](#) – Engineering and technical support for small and mid-sized manufacturing firms.
- [Department of Labor \(DOL\)](#) – Full range of employment and training services.
- [Energy Conservation](#) – Conservation and load management assistance
- [Eversource](#) - Supports economic development in its service territory and municipalities
- [Institute for Sustainable Energy](#) - Relating to energy education, energy policy, energy efficiency, energy conservation and load management, renewable energy, distributed

generation, protection of environmental resources, and the dissemination of information on energy alternatives and sustainability.

- [Institute of Technology and Business Development \(ITBD\)](#) – Technical training, skill development, industrial modernization, marketing, financial and networking opportunities.
- [New England Trade Adjustment Assistance Center \(NETAAC\)](#) – Cost-shared assistance for import-injured manufacturers.
- [Procurement Technology Assistance Program \(PTAP\)](#) – Marketing assistance for Connecticut businesses that sell or wish to sell products and services to federal, state and local government.
- [SCORE](#) – Overview and insight on the process of establishing and operating a business.
- [Small Business Development Center \(SBDC\)](#) - No-cost advising to prospective and existing business owners to start or expand their business with the U.S. Small Business Administration.
- [The state's private and public universities](#) also provide technical assistance, technology transfer capabilities, and centers for advanced manufacturing, entrepreneurship, technology, and related economic development training and know-how.
- [Turnaround Management Association](#) – Connecticut Corporate Revitalization Program.
- [United Illuminating Company](#) - The Connecticut Central Coast - here you can find data and reports about this region and specific industries.
- [University of Connecticut Innovation Portal](#) - Assists existing companies seeking assistance with technology related issues and/or entrepreneurs developing new tech-related products and forming new tech-based firms.

### **Regional Workforce Investment Boards**

- [Capital Workforce Partners](#)
- [Eastern CT Workforce Investment Board](#)
- [Northwest Regional Workforce Board, Inc.](#)
- [Workforce Alliance- the Regional Workforce Investment Board of the South Central Region](#)
- [The Workplace, Inc. \(Southwest Region\)](#)

### **Private Organizations**

- [Connecticut Aerospace and Components Manufacturers \(ACM\)](#)
- [Connecticut Business & Industry Association \(CBIA\)](#)
- [Capital Region Development Authority \(CRDA\)](#)
- [Community Capital Fund, Inc. \(CommCap\)](#)
- [Connecticut Chapter of the American Planning Association](#)
- [Connecticut Conference of Municipalities \(CCM\)](#)
- [Connecticut Economic Development Association \(CEDAS\)](#)
- [Connecticut Green Bank](#)
- [Connecticut Housing Investment Fund \(CHIF\)](#)
- [Connecticut Insurance and Financial Services \(IFS/CT\)](#)
- [Connecticut Main Street Center](#)
- [Connecticut Maritime Coalition](#)
- [Connecticut Technology Council \(CTC\)](#)
- [CURE, Connecticut's BioScience Innovation Network](#)
- [Housatonic Industrial Development Corp. \(HIDC\)](#)



- [Greater New England Minority Supplier Development Council \(GNEMSDC\)](#)
- [International Economic Development Council](#)
- [Local Initiatives Support Corporation \(LISC\)](#)
- [Manufacturing Alliance of Connecticut \(MAC\)](#)
- [National Association for the Advancement of Colored People \(NAACP\)](#)
- [New Haven Manufacturers Association](#)
- [Northeastern Economic Developers Association \(NEDA\)](#)
- [Partnership for Strong Communities](#)
- [Spanish American Merchants Association \(SAMA\)](#)
- [The Business Council of Fairfield County](#)
- [Women's Business Development Council \(WBDC\)](#)

**Exhibit 10:**

**State Tax Analysis Memo**

To: Christopher P. Hall, Chairman  
Commission on Connecticut's Leadership in Corporation and Business Law  
From: Dan Smolnik and Members of the Tax Working Group  
Re: Remarks for Commission Consideration  
Date: November 6, 2015

I have reviewed data associated with the revenues from the Corporation Tax in Connecticut from the years 2008 through 2014, and compared it to data from the States of Delaware, New Jersey and Massachusetts. These states were chosen for comparison as they have the highest gross domestic product (GDP) per capita (BEA, 2012) of the mid-Atlantic and New England states, excluding New York, whose economy exhibits multiple policy foci and is, therefore, not a convenient comparison.

### **Method**

Except as otherwise noted, I used raw data posted on the U.S. Census website under State Government Tax Collections. For years 2012, 2013, and 2014, those data are housed at the American Community Survey website.

Chained 2009 dollars are used to measure gross state product (GSP). Chained Dollars adjust real dollar amounts for inflation over time, so as to allow comparison of figures from different years.

Because overall corporate income data is generally neither complete nor uniform among the states, I used GSP, as calculated by the U.S. Bureau of Economic Analysis, as a proxy for overall productivity.

To calculate a volatility index for corporation tax, I calculated the absolute values of the percentage change of corporation incomes tax revenues of each state, year on year, and then calculated the standard deviation of all those changes for the subject period, to arrive at a non-dimensional number that may be applied objectively without reference to units. This index can inform us on such direct matters as year-to-year budgeting and indirect matters as the implied cost of uneven revenue flows.

### **Findings**

#### **I. Basic Relationship Between Corporation Income Tax Revenues and Gross State Product**

As a baseline, I correlate the changes in Corporation Tax Revenues with GSP. As shown by Chart 1, in Connecticut (as with Delaware, Massachusetts and New Jersey), the overall productivity of the state's businesses does not change considerably during the sample period. Regression analysis of the variables, with GSP (state-level GDP) as the fixed variable, indicates a correlation of approximately .38. By way of comparison, that same correlation in Delaware is -.17, in Massachusetts is .467 and in New Jersey, .39. That is, in our sample, excepting Delaware, the productivity of the states' businesses is positively correlated with production of tax revenue. This, combined with the lack of robust statistical correspondence of the relationship between corporate tax revenues and net business formation, suggests that tax policy lags the economies of most of our sample jurisdictions.

Chart 2 illustrates trends in tax revenues compared to business growth for the U.S. and the State of Connecticut.

## II. **New Business Formation in Connecticut**

Chart 3 illustrates the trend of net new business formation (“births” less “deaths.” as catalogued by the Connecticut Secretary of the State and the U.S. Census Business Dynamics Survey) and compares it over time with that of the U.S. as a whole. The data suggest that net new business formation in Connecticut has, until recently, been fairly steady. The correlation of corporation tax revenue collected to net new business starts is negative in Massachusetts (-.112), substantially negative in New Jersey (-.461) and positive in Delaware (.232) and Connecticut (.16). This spread of results suggests that business formation has only a limited causative relationship with corporation taxes. That is, factors other than (or in addition to) the level of corporation tax rates may have substantial effects on business siting and establishment decisions.

## III. **Relationship of Corporation Tax to Overall Tax Revenues**

Chart 4 illustrates the portion of total tax revenues that were derived from corporation income taxes for each of Connecticut, Delaware, Massachusetts and New Jersey over the time period. Delaware, Massachusetts and New Jersey maintain a higher average portion of their total tax revenues from corporation taxes than does Connecticut. The corollary of this is that Connecticut places a higher portion of its tax burden on taxes other than corporation taxes. This resulting shift of the tax burden can affect business growth and location in Connecticut in that the resultant tax burden on non-corporation entities (such as individuals) can discourage location here by potential employees, and thereby make Connecticut less attractive to businesses, especially those at inflection points of their growth or larger businesses needing to acquire or relocate a large number of employees here.<sup>1</sup>

Notably, Connecticut’s Index of Volatility, as calculated above, equals 5.571. By way of comparison, New Jersey’s Index is 5.251, Massachusetts’s Index is .783 and Delaware’s is a striking 43.463. Your correspondent speculates that Delaware’s high volatility in corporation incomes tax has its foundation in that state’s nationwide use as a formation venue for corporations, and the resulting large volume of arrivals, departures and mergers, thus changing the corporate tax base at a faster than average rate. Generally, lower volatility of revenues allows for more reliable long range budgeting and less use of the tax system as a stop-gap budget repair tool. It also provides businesses making a siting decision to make that decision with increased confidence as to their prospective tax burden.

It is instructive to observe that the Massachusetts GSP over the sample period has grown 8.47%, while those of Connecticut (-1.96%) and New Jersey (-.271%) have shrunk. Delaware grew

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<sup>1</sup> A January 20, 2015 report by the Tax Policy Center finds the 2011 average household federal tax rate for 2011 to be 17.6%, and the average corporate federal tax rate to be 1.9%. This suggests that income taxes represent a much higher portion of expenses for families and individuals than they do for corporations. As a factor in siting decisions, then, the tax burden is, in terms of relative magnitude, substantially larger to individuals and families than it is to corporations. *Historical Average Federal Tax Rates for All Households*.

3.72%. The notable growth in Massachusetts juxtaposed with its low volatility in corporate tax revenues invites further study of the relationship.

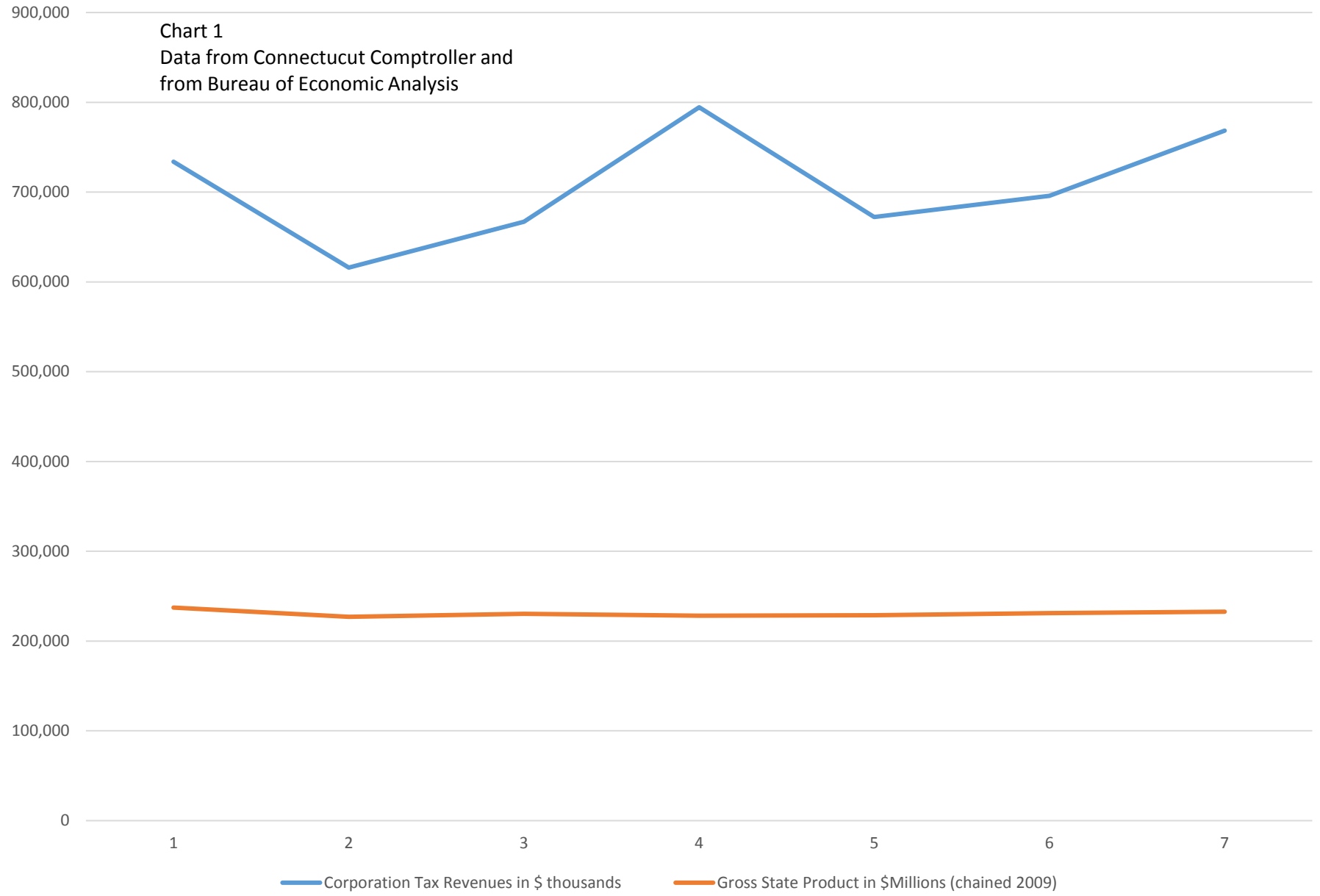
### **Recommendations**

1. Connecticut should develop one or more devices to establish and monitor its several tax revenue streams with an eye toward reducing the volatility and, hence, increasing the predictability, for both the government and the taxpayers, of those taxes. Such devices might include a non-partisan permanent commission on tax policy, whose members can dedicate time and resources to data collection and comparative analysis in real time, and not merely after the fact.
2. I recommend that the relative tax burdens on individuals, families and businesses be studied in comparison to those of other states.
3. New business siting and formation in Connecticut can be encouraged by a combination of simplified establishment, entry and compliance procedures, and a reduction or forbearance of fixed fees (as opposed to revenue-based taxes) during a prescribed startup period. Some jurisdictions, such as Delaware, provide new businesses access to trained support agents to help navigate the business establishment process, especially for specified types of businesses.
4. New businesses should not have to spend money to engage legal counsel just to navigate start up and tax compliance issues. For example, the applicability of the Connecticut sales tax to certain services should be made unambiguous and not a trap for the unwary.

\* \* \*

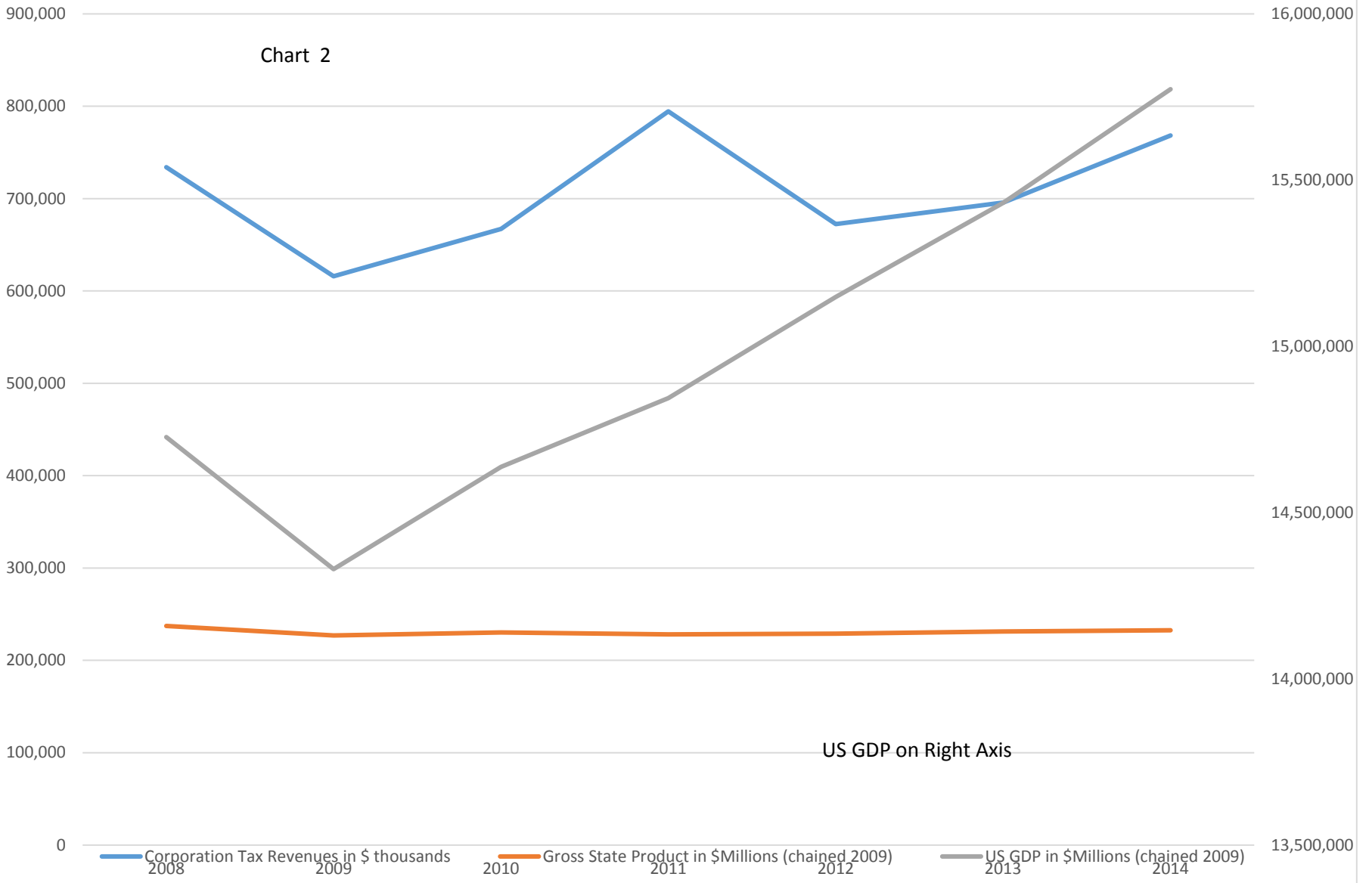
# Trend of Connecticut Corporation Tax and GSP

Chart 1  
Data from Connecticut Comptroller and  
from Bureau of Economic Analysis



# Connecticut State Corporation Tax Revenues Compared to Business Growth

Chart 2



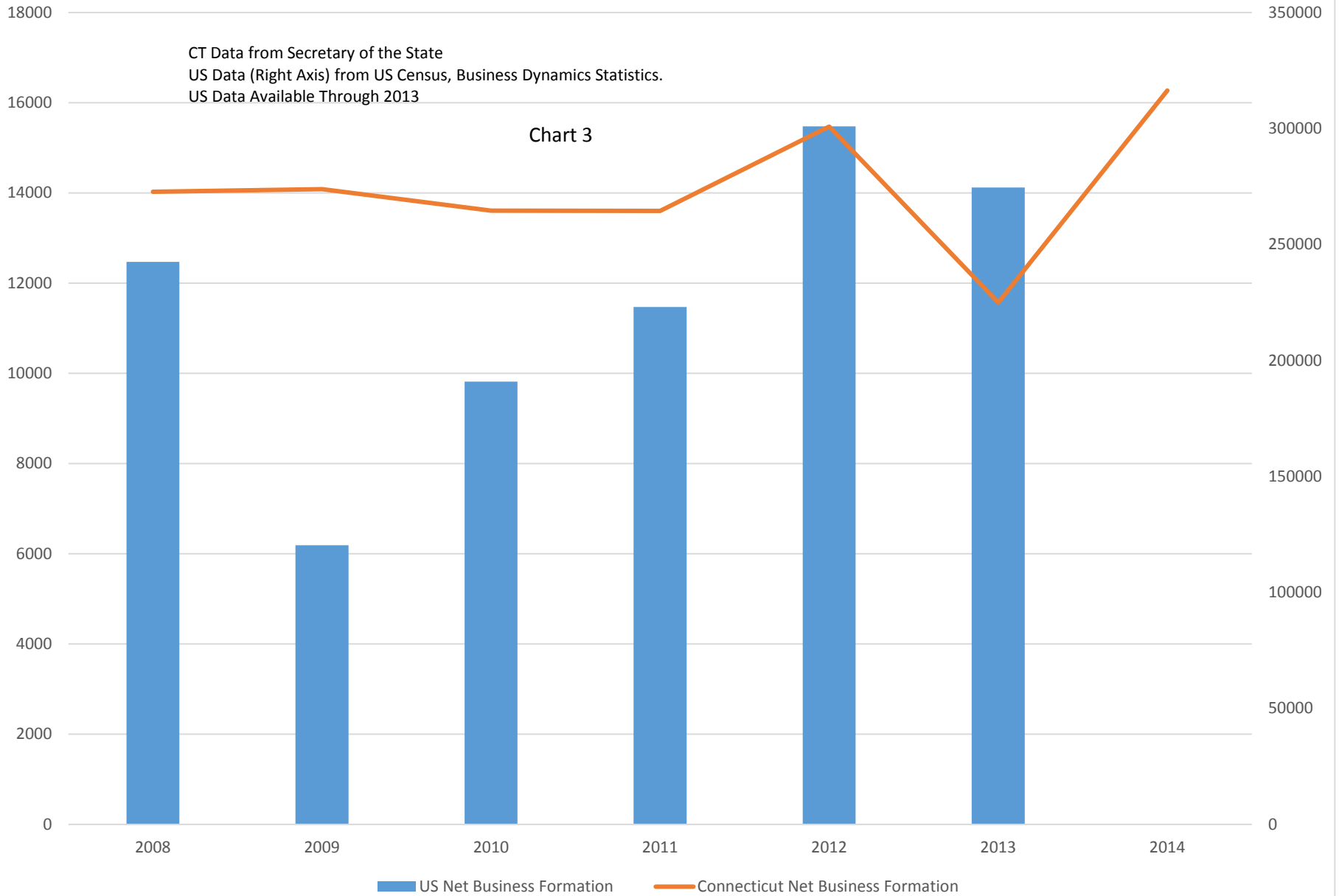
US GDP on Right Axis

— Corporation Tax Revenues in \$ thousands  
— Gross State Product in \$Millions (chained 2009)  
— US GDP in \$Millions (chained 2009)

# Connecticut New Business Formation

CT Data from Secretary of the State  
US Data (Right Axis) from US Census, Business Dynamics Statistics.  
US Data Available Through 2013

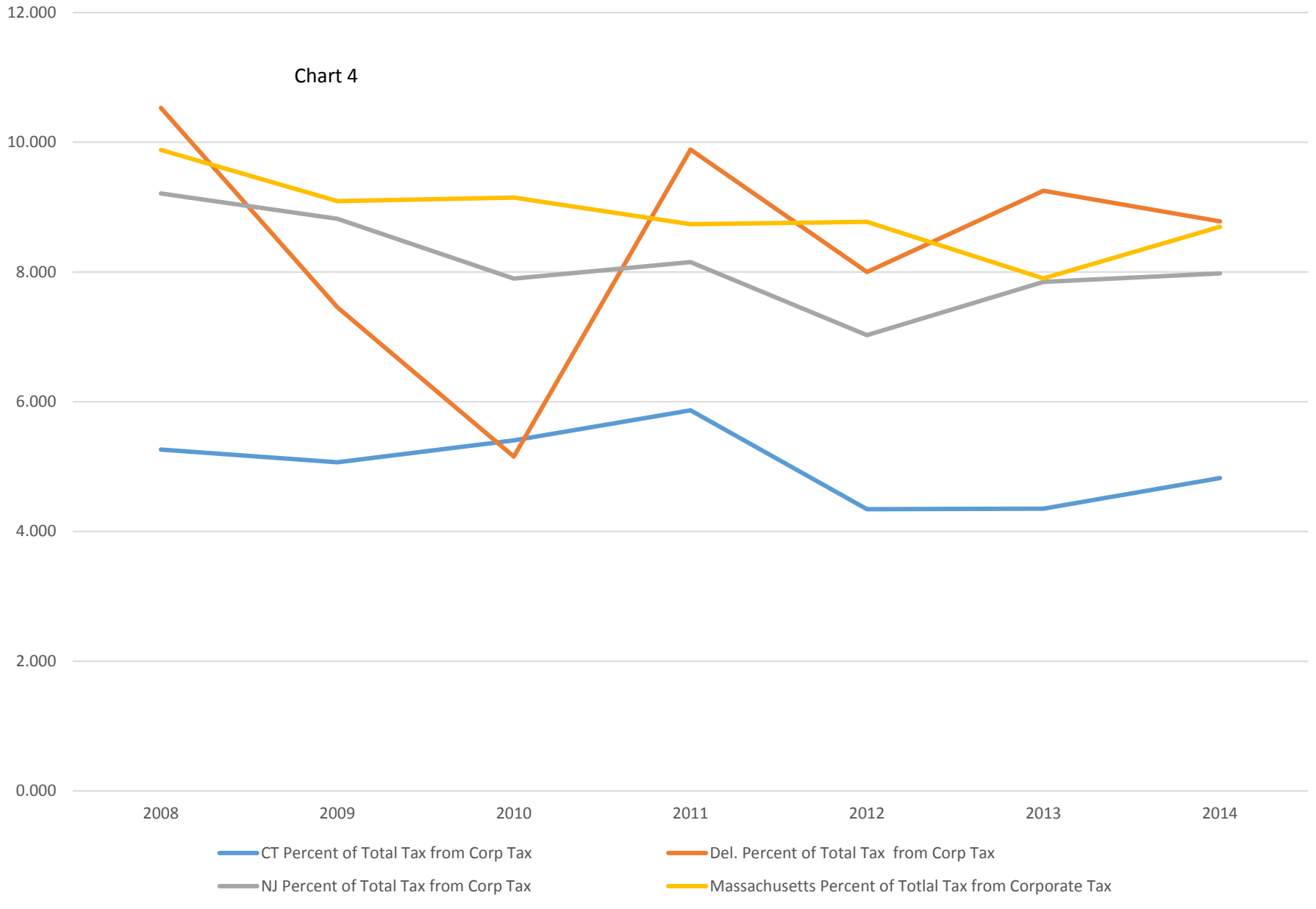
Chart 3





# Corporate Tax as Percent of Total Tax Revenues

Chart 4



	Corporation Tax Revenues in \$ thousands	Gross State Product in \$Millions (chained 2009)	US GDP in \$Millions (chained 2009)	Log of US GDP	Log of Tax Revenues	Log of GSP
2008	733,942	237,279	14,726,980	7.168114	8.865661732	14.3752593
2009	615,921	227,003	14,329,980	7.156246	8.78952466	14.3560316
2010	667,132	230,268	14,637,676	7.165472	8.824212089	14.3622336
2011	794,473	228,186	14,844,093	7.171554	8.900078874	14.358289
2012	672,340	228,862	15,148,854	7.18038	8.827589102	14.3595737
2013	695,829	231,176	15,431,987	7.188422	8.842502217	14.3639427
2014	768,477	232,620	15,773,516	7.197929	8.885630959	14.3666471

-1.963511309

correl revenue  
to GSP 0.379454  
correl revenue  
to Business  
starts 0.160053  
correl US GDP to  
Ct GSP 0.25904  
Correl GSP to  
Revenue 0.379454

Log New Business	Corporation Tax Revenues	ABS CT Corp Tax Revenue % Change		Connecticut Net New Businesses Formed	CT Total Tax Revenue for Year (\$ thousands)
4.146965	733,941,984		2008	14,027	13,946,399
4.148726	615,920,501	16.080	2009	14,084	12,160,036
4.133826	667,132,486	8.315	2010	13,609	12,344,106
4.133699	794,472,509	19.088	2011	13,605	13,540,174
4.189603	672,340,236	15.373	2012	15,474	15,480,865
4.063371	695,828,506	3.494	2013	11,571	15,993,624
4.211414	768,477,151	10.441	2014	16,271	15,937,742
	Index of Volatility	5.771			

	CT Percent of Total Tax from Corp Tax	Del. Percent of Total Tax from Corp Tax	NJ Percent of Total Tax from Corp Tax	Massachusetts Percent of Total Tax from Corporate Tax
2008	5.263	10.530	9.210	9.882
2009	5.065	7.455	8.819	9.092
2010	5.404	5.154	7.897	9.148
2011	5.868	9.889	8.154	8.737
2012	4.343	7.999	7.026	8.772
2013	4.351	9.253	7.848	7.901
2014	4.822	8.780	7.979	8.696

	Delaware Corporation Income Tax Revenues (\$thousands)	Del. Corp Tax as Percent of Total Tax Revenue	Massachusetts Corporation Income Tax Revenues (\$thousands)	Massachusetts Corp Tax as Percent of Total Tax Revenue	New Jersey Corporation Tax Revenues (\$thousands)	NJ Corp Tax as Percent of Total Tax Revenue	Delaware GDP (in \$millions of chained 2009)	New Jersey GDP (in \$millions of chained 2009)	Massachusetts GDP (in \$ millions chained 2009)	ABS % Change Del Corp Tax Revenue	ABS % Change Mass Corp Tax Revenue	ABS % Change NJ Corp Tax Revenue	Delaware Total tax Revenue for Year (\$thousands)	New Jersey Total Tax Revenue for Year (\$thousands)	Massachusetts Total Tax Revenue for Year (\$thousands)	Connecticut Net Business Formation	Massachusetts Net Business Formation	New Jersey Net Business Formation	Delaware New Business
2008	308,626	10.530	2,179,956	9.882	2,819,906	9.210	54,621	505,533	391,788				2,930,955	30,616,510	22,059,169	14027	(2,311)	(3,058)	(428)
2009	208,677	7.455	1,789,553	9.092	2,397,471	8.819	56,236	484,804	381,628	32.38515226	2.593239201	14.98046389	2,799,103	27,186,553	19,682,914	14084	(4,479)	(5,679)	(811)
2010	142,417	5.154	1,837,859	9.148	2,047,474	7.897	56,591	489,449	394,778	31.75242121	3.445763938	14.5985916	2,763,032	25,927,891	20,090,563	13609	(1,598)	(1,799)	(20)
2011	322,537	9.889	1,931,571	8.737	2,216,438	8.154	57,298	485,638	403,885	126.4736654	2.306866137	8.252314804	3,261,594	27,182,753	22,107,646	13605	1,811	(533)	(154)
2012	262,378	7.999	2,001,780	8.772	1,929,133	7.026	55,593	498,005	410,686	18.65181359	1.683895168	12.962465	3,280,185	27,456,175	22,820,892	15474	1,998	441	165
2013	309,644	9.253	1,888,449	7.901	2,282,055	7.848	56,004	502,221	415,440	18.01446768	1.157575374	18.29433222	3,346,316	29,076,881	23,901,047	11571	24,695	2,236	491
2014	278,872	8.780	2,194,620	8.696	2,368,068	7.979	56,652	504,159	424,991	9.937864128	2.29900828	3.769102848	3,176,169	29,679,226	25,235,726	16271			

Index of Volatility 43.46320656 0.783215844 5.250735703

correl Del tax Rev to Del GDP	-0.171698556	3.718350085	Correl Mass Corp Tax Rev to GSP	0.466748989	-0.005063296
correl NJ Tax Rev to NJ GDP	0.396870572				
Correl Mass Corp Tax Rev to Mass GDP	0.466748989				
Correl Mass Corp Tax Revenue to Net New Business	-0.112925279				
Correl NJ Corp Tax Revenue to Net New Businesses	-0.461338089				
Correl Delaware Corp Tax Revenue to Net New Business	0.232364991				

**Exhibit 11:**  
**CBIA Comments**

November 2, 2015

To: Christopher P. Hall, Chairman, and Members of the Commission on Connecticut's Leadership in Corporation and Business Law

From: Bonnie Stewart, CBIA, Louise DiCocco, CBIA

Re: Comments for Commission regarding Connecticut's corporate tax

Dear Chairman Hall and Members of the Commission on Connecticut's Leadership in Corporation and Business Law:

First, thank you for all of your good work over the past year with the Commission. We have attended the meetings and witnessed the time and effort you have devoted to the commission's important mission. In addition, thank you for allowing members of CBIA's Tax Committee to review your report, and the opportunity to offer suggestions and propose modifications.

### **Introduction**

State tax policy carries the potential to ensure the long-term health of Connecticut's economy and our communities by encouraging the types of business activity that produce jobs and investments in the state. Positive tax policy also can generate the revenues needed to continue the delivery of vital public services.

In its final report in 2012, the Governor's Business Tax Policy Task Force said, "The common purpose of state tax, economic and fiscal policy is securing a vibrant business climate that encourages business investment, activity, employment, and revenue allocation in Connecticut. *Coherent and stable tax policy stimulates economic activity and strengthens our state and local tax base.*" [Emphasis ours]

- We believe that, while the commission's report addresses this subject well, there are some further perspectives to consider before making final recommendations.

### **Corporate Tax**

It appears that the recommendation to "shift more of the tax burden away from individuals and families" is based on analysis that is limited to the Connecticut corporation business tax. The conclusion that Connecticut businesses can afford to pay more taxes does not consider the broad scope of taxes that employers pay and how these taxes compare with other states.

- For example, two of the three chosen comparison states (Delaware and New Jersey) do not levy a personal property tax and none of the three comparison states imposes sales tax on services as broadly as does Connecticut.

Further, it is important to remember how Connecticut's business corporation tax was designed. The tax is specifically formulated to better support state businesses that export and sell goods and services outside of Connecticut.

By design, this public policy helps our economic base industries, which include some of the nation's leading manufacturers (especially in aerospace, defense, and transportation), financial services firms, and biosciences companies. These industries offer thousands of high-paying careers and contribute more to our economy by also being massive job multipliers.

Obviously, these characteristics have a significant and positive impact on Connecticut's personal income tax receipts. What's more, these industries are also high-volume consumers of sales-taxable goods and services, much of that from vendors and suppliers in Connecticut.

- Therefore, we must avoid attempts to modify Connecticut's business corporation tax in such ways that would seriously impact other vital state revenue streams—including, but not limited to, the personal income tax and sales and use taxes. We also must not act in a way that could encourage our economic base industries to consider moving or (as is happening now) expand their operations elsewhere.

## **Tax Study**

As your report indicates, the volatility of state tax policy is a significant concern. Fortunately, these concerns are being re-addressed by several state blue-ribbon commissions, including the State Tax Study Panel and the State Commission on Economic Competitiveness. And as stated, the Governor's Business Tax Policy Task Force concluded its work in 2012 with recommendations to the legislature.

- We do not believe another commission study of this issue is necessary at this time.

## **Connecticut's Fiscal Condition and Tax Policy**

There are no easy choices for solving the state's fiscal problem, but an expanding economy will make the task easier. Getting control of our fiscal situation is imperative. People and companies are not likely to invest and expand their business if they have to be constantly concerned with what will happen on the tax and spend side of the state budget that changes constantly. For example, taxes that are supposed to sunset sometimes never do and state tax incentives (credits) are sometimes changed in midstream.

As Connecticut starts to get its fiscal house in order, there are some important factors with regard to tax policy to consider.

### **Economic growth**

Tax policies that will encourage and increase economic growth include measures that foster a predictable, stable and growing business climate and make investment and location decisions easier.

In Connecticut, tax credits—approved by the legislature—have helped to drive the kind of business activity that produces millions of dollars in tax revenue for the state every year.

Diminishing credits' value or increasing their unpredictability—as did the legislature this year—effectively endanger a major source of long-term state revenue and could embolden some businesses to simply choose not to locate or expand here. Therefore:

- **Restore the research and development tax credit (R&D) and electronic data processing (EDP) credits.** Growing businesses transformed \$109 million in tax credits into \$3.14 billion in investments in Connecticut from 2000-2012, for an average annual ROI of 231%. Electronic data processing credits have helped promote Connecticut's significant financial and insurance service sector.
- **Restore the ability of businesses to carry forward net operating losses at 100% percent.** Start-up businesses, new product development, and economic downturns are



three most common reasons for the use of net operating loss (NOL) carryforwards as an important mechanism for attracting and keeping long-term investment in a state.

- **Allow “pass-through entities” (which are primarily small to midsize employers) the ability to take advantage of tax credits, in particular the R & D credit.**
- **Eliminate the capital tax (which taxes investor funds)** to cease penalizing growing businesses for raising resources to meet current and future needs.
- **Eliminate the sales tax on business and professional services**—Connecticut taxes business and professional services more broadly than almost any other state in the country.

We believe that these measures, coupled with a commitment to fiscal restraint, will help drive a renewal of economic growth in Connecticut and at the same time reinvigorate state revenues.

Again, thank you for all your work on the Commission on Connecticut’s Leadership on Corporation and Business Law this year and for allowing our input.

## **Exhibit 12:**

# **Social Enterprise Law Report**

# **Commission on Connecticut's Leadership in Corporation & Business Law**



Social Enterprise Law Working Group  
Policy Recommendations & Explanations

**By James Woulfe & Emma Sifre**

# Executive Summary

The social enterprise sector, comprised of mission-driven businesses that work to create a positive social or environmental impact, in addition to generating profits, has grown tremendously in the U.S. over the past 10 years. Industry experts project that the size of the sector, almost non-existent in the 1990's, has ballooned to roughly 30,000 companies<sup>1</sup> nation-wide, with an investment industry that has built up around it that is estimated to grow to \$500 billion in total managed assets by 2019.<sup>2</sup> Millennials, a generation whose employment and spending power is quickly coming to prominence, are no doubt driving this change as well. A recent global survey by the Kaufmann foundation found that 67% of respondents prefer to work for socially responsible companies, and 55% would pay a premium for products and services from companies committed to positive social and environmental impact.<sup>3</sup>

In conjunction with the growth in the social enterprise sector as a whole, the area of social enterprise law, non-existent just eight years ago, has exploded over the past four years. In that short period of time, over 30 states across the nation have adopted some form of new legal entity specifically for social entrepreneurs. The trend of states adopting legal entities specifically for social entrepreneurs shows no sign of stopping, either. In 2015 alone, it is expected that at least five states<sup>4</sup> will consider legislation establishing the benefit corporation as a new legal entity, which is currently the most popular form of social enterprise legal entity in the U.S.

While many states have passed legislation enabling these new legal entities for social enterprises, there is no state that has taken up the mantle as the *go-to state* for attorneys and entrepreneurs incorporating their social enterprises, in the way that Delaware has become a haven for Fortune 500 corporations, and Nevada has become attractive for its LLC statute. This lack of leadership in the social enterprise law space presents a clear point of pain in a developing legal market, and an opportunity for Connecticut, which has one of, if not *the* most comprehensive benefit corporation statutes in the United States.

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<sup>1</sup> <http://gazette.com/business-on-a-mission-social-enterprises-help-as-well-as-workers-in-pikes-peak-region/article/1507980>

<sup>2</sup> [http://www.monitorinstitute.com/downloads/what-we-think/impact-investing/Impact\\_Investing.pdf](http://www.monitorinstitute.com/downloads/what-we-think/impact-investing/Impact_Investing.pdf)

<sup>3</sup> <http://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2014%20Reports/global-corporate-social-responsibility-report-june-2014.pdf>

<sup>4</sup> Id.

This report, produced for the Commission on Connecticut's Leadership in Business and Corporation law outlines policy proposals that, if implemented, could help Connecticut become the 'social enterprise state.' The report begins with an explanation of the opportunity to make Connecticut the 'social enterprise state,' followed by short-term, and long-term policy proposals that, if implemented, can make Connecticut a leader in social enterprise law, and an attractive state for social entrepreneurs to establish and grow their businesses.

## Short-Term Recommendations

In the next legislative session, there are a number of minor policy proposals that the General Assembly could implement which would position Connecticut to definitively take the mantle as the state with the most comprehensive social enterprise statutes, as well as drive investment into the burgeoning sector.

1. **Benefit LLC** – Connecticut should establish a Benefit LLC, as Oregon and Maryland have, to provide start-up social enterprises with the tax benefits and organizational flexibility of an LLC, and the transparency, accountability, and marketing advantages of the benefit corporation.
2. **Angel Investor Tax Credit** – To incentivize the flow of capital to early stage social enterprise, "Social Enterprise" should be added as an additional investment sector that qualifies under the state's Angel Investor Tax Credit program.
3. **Entity-specific Signifiers** – To reduce confusion among consumers, Connecticut benefit corporations should be required to use a distinct signifier ("Ben. Corp." or "B.C.") instead of using the same signifiers that standard corporations do ("Inc." or "Corp.").
4. **Benefit Reporting Updates** – There should be a technical change to the benefit corporation statute to ensure that benefit corporations in their infancy are not required to file annual benefit reports before they have begun their operations in earnest.
5. **Noisy Withdrawal** – Companies converting from a benefit corporation to another entity should be required to disclose this change to the public and the Secretary of State's office to help prevent greenwashing.

## Long-Term Recommendations

As Connecticut looks to position itself as *the* state for social entrepreneurship, it must leverage the intellectual, human, and financial capital within the state to build a legal, regulatory, and financial infrastructure that will make Connecticut a state of first choice for social entrepreneurs looking to do business in the U.S.

1. **Regulatory Infrastructure** – Connecticut should conduct a comprehensive study to determine a plan to implement a regulatory regime to enforce the proper filing of annual benefit reports to ensure compliance with the third-party standard and annual benefit report requirements under the state’s benefit company statutes.
2. **Social Enterprise Liaison** – The Governor should appoint a “Social Enterprise Liaison,” similar to the state’s Nonprofit Liaison, which exists at the cabinet level.<sup>5</sup> A healthy partnership between the public and private sectors is essential to ensuring a strong and responsive business climate.
3. **Business Law Center** – The state should partner with one or more Connecticut-based law schools to establish a business law center. While the center would have a broad focus on furthering best practices in business law in general, the center could also serve as the epicenter for cutting edge and innovative policy proposals and social enterprise law scholarship, and would help equip Connecticut law students with a best-in-class education in social enterprise law.

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<sup>5</sup>[http://portal.ct.gov/Departments\\_and\\_Agencies/Office\\_of\\_the\\_Governor/Learn\\_More/Governor\\_s\\_Nonprofit\\_Liaison/](http://portal.ct.gov/Departments_and_Agencies/Office_of_the_Governor/Learn_More/Governor_s_Nonprofit_Liaison/)

# Introduction

The area of social enterprise law, non-existent just eight years ago, has exploded over the past four years. In that short period of time, over 30 states across the nation have adopted some form of new legal entity specifically for social entrepreneurs<sup>6</sup> - individuals who operate mission-driven businesses that work to create a positive social or environmental impact, in addition to generating profits. The trend of states adopting legal entities specifically for social entrepreneurs shows no sign of stopping, either. In 2015 alone, it is expected that at least five more states<sup>7</sup> will consider legislation establishing the benefit corporation as a new legal entity, which is currently the most popular form of social enterprise legal entity in the U.S.<sup>8</sup>

While many states have passed legislation enabling these new legal entities for social enterprises, there is no state that has taken up the mantle as the *go-to state* for attorneys and entrepreneurs incorporating their social enterprises<sup>9</sup>, in the way that Delaware has become a haven for Fortune 500 corporations<sup>10</sup>, and Nevada has become attractive for its LLC statute.<sup>11</sup> This lack of leadership in the social enterprise law space presents a clear point of pain in a developing legal market, and an opportunity for Connecticut, which has one of, if not *the* most comprehensive benefit corporation statutes in the United States. This report outlines multiple short-term and long-term policy proposals that, if implemented, could help Connecticut become the 'social enterprise state.'

## The Opportunity

Despite the fact that social enterprise legal entities have been passed into law in a majority of the states across the U.S., there is no state that has formally committed to developing an infrastructure - legal or otherwise - to encourage the organization or incorporation of these new entities, or to provide information and solutions for doing so. Some of the most forward-thinking states have provided helpful links to third party resources on their Secretary of the State's website<sup>12</sup>, have provided easy-to-use

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<sup>6</sup> <http://benefitcorp.net/>

<sup>7</sup> Id.

<sup>8</sup> [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2304892](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2304892)

<sup>9</sup> Phone conversation with Professor Haskell Murray, J.D. of Belmont University on Thursday, January 29<sup>th</sup>, 2015

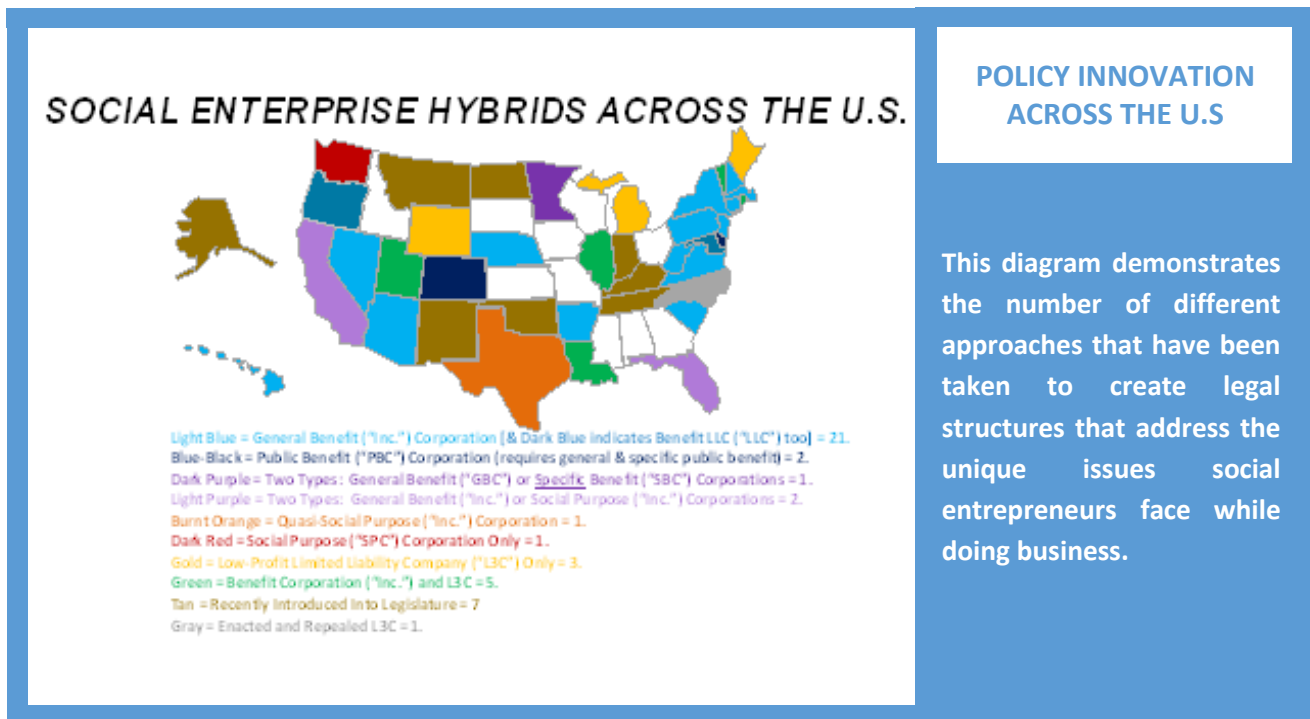
<sup>10</sup> [http://corp.delaware.gov/whycorporations\\_web.pdf](http://corp.delaware.gov/whycorporations_web.pdf)

<sup>11</sup> See: <http://www.reviewjournal.com/business/nevada-s-business-climate-14th-us-according-poll-professionals>; and <http://www.nasdaq.com/personal-finance/selecting-state-corporation.stm>.

<sup>12</sup> <http://sos.oregon.gov/business/Pages/benefit-company.aspx>

incorporation forms,<sup>13</sup> or have provided easy access to public data about social enterprise legal entities.<sup>14</sup> Connecticut, specifically, has developed policy innovations to address perceived issues with legislation in other states.<sup>15</sup>

No state, however, has gone to lengths to establish itself as the “Delaware” of social enterprise law, which is to say that no state has specifically undertaken or executed on a mission to establish itself as a leading or highly desirable location to organize a social enterprise, and/or attract other business entities to organize using their social enterprise statutes. This lack of leadership is demonstrated by the differentiation from state to state in social enterprise statutes, the lack of transparency and understanding of the sector as a whole, and the difficulty in most states (due to a lack of foresight/planning) to track the formation of these new entities, and learn about the challenges they face as they launch and scale.



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<sup>13</sup> Connecticut and Nevada offer simple check boxes on their certificate of incorporation forms: [http://www.ct.gov/sots/lib/sots/commercialrecording/allforms/cert\\_of\\_inc\\_-\\_stock\\_corp.pdf](http://www.ct.gov/sots/lib/sots/commercialrecording/allforms/cert_of_inc_-_stock_corp.pdf); <http://nvsos.gov/Modules/ShowDocument.aspx?documentid=669>.

<sup>14</sup> <http://sos.oregon.gov/business/Pages/oregon-benefit-companies.aspx>; [http://www.sos.wa.gov/corps/search\\_advanced.aspx](http://www.sos.wa.gov/corps/search_advanced.aspx)

<sup>15</sup> <http://www.smithmoorelaw.com/b-legal-briefing-new-hampshire-and-connecticut-join-the-ranks>

<sup>16</sup> <http://scentlaw.com/2014/08/social-enterprise-law-update-and-map/>



## Making Connecticut the ‘*Social Enterprise State*’

Rather than attempt to compete with Delaware, a state that has clearly established a hegemony in the area of corporate law with the operation of its specialized Court of Chancery and Secretary of the State’s office, Connecticut is uniquely situated to capitalize on the opportunity to become *the* state for social entrepreneurship. Although there are a number of reasons that can be cited to support this idea, there are three specific reasons of note.

### ● *Positive Externalities*

There are considerable positive externalities associated with social entrepreneurship. Social enterprises are for-profit businesses<sup>17</sup> that in some way are dedicated to creating a positive social or environmental impact. While typical businesses provide positive externalities in the form of jobs, and bringing goods or services to market, social enterprises go the extra mile and operate with a social or environmental mission. Social enterprises commonly carry out their mission by hiring individuals from underserved communities, by donating significant amounts of goods, services, or cash to charitable entities, or by offering goods or services that create an inherent social or environmental impact at affordable rates. They create jobs, pay taxes, and make the communities that they operate in better places to live and work.

Connecticut is in a strategic position to reap the positive externalities that social enterprises create partly because of its unique economic conditions. As a leader in technology, innovation, and financial services, Connecticut already has a dynamic network of talent, labor, customers, advisors, and investors in place for social entrepreneurs to tap in to. According to a Bloomberg study, Connecticut is ranked fourth in the nation in innovation with a highly educated and efficient work force.<sup>18</sup> These resources make Connecticut an attractive space for social entrepreneurs looking for a state with infrastructure for establishing a successful business already firmly in place.

Unfortunately, Connecticut is also a state that is plagued by issues with income inequality. While the state is home to some of the wealthiest areas in the country, its urban areas exhibit some of the most

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<sup>17</sup> Every social enterprise entity across the U.S. is taxed as either a partnership, an S Corporation, or a C Corporation, and receives no special tax breaks or subsidies at the State or Federal level.

<sup>18</sup> <http://www.bloomberg.com/visual-data/best-and-worst/most-innovative-in-u-dot-s-states>

concentrated areas of poverty in the United States.<sup>19</sup> While many business owners and founders could see this as a reason not to establish their businesses within the state, the social, educational, health, and environmental consequences of income inequality also create opportunities for social entrepreneurs to create positive social impact. The socioeconomic conditions in Connecticut align identically with the mission of social entrepreneurs and create ample opportunity for these entrepreneurs to affect change.

● *Market Expansion*

The social enterprise movement is rapidly expanding. As mentioned above, while it took 30 years to see adoption of LLCs across all 50 states,<sup>20</sup> in just over four years, 30 states have already adopted social enterprise statutes.<sup>21</sup> Additionally, millennials, the fastest growing demographic group,<sup>22</sup> prefer to work for these types of impactful companies. In a recent study, 58% of soon-to-be college graduates stated that they would take a 15% pay cut to work for an organization that has values that reflected their own.<sup>23</sup> There is support from consumers as well. A recent study out of NYU's Stern School of Business found that "60 percent of consumers are . . . willing to pay extra for socially responsible products and, on average, those consumers were willing to pay a 17.3 percent premium for them."<sup>24</sup>

Connecticut's competitive advantage is the number of universities it has and the access to the millennial generation that these colleges grant the state. Connecticut is home to thirty-eight<sup>25</sup> colleges and universities, representing tens of thousands of students whose spending power and ability to support, start, or invest in businesses is just beginning to develop. Connecticut's abundance of universities, where social entrepreneurship programs are becoming increasingly more common, means that it is home to a growing educational ecosystem working to create a culture of support for social enterprise. Whether these students will start social enterprises, work for them, invest in them, or simply patronize them, Connecticut's access to university students gives it an exclusive advantage over other states.

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<sup>19</sup> <http://trendct.org/2015/05/27/connecticut-has-more-concentrated-poverty-and-wealth-than-most-metros/>

<sup>20</sup> [https://www.americanbar.org/newsletter/publications/law\\_trends\\_news\\_practice\\_area\\_e\\_newsletter\\_home/llc.html](https://www.americanbar.org/newsletter/publications/law_trends_news_practice_area_e_newsletter_home/llc.html)

<sup>21</sup> Supra at 11.

<sup>22</sup> <http://www.fastcompany.com/3033488/hit-the-ground-running/4-employee-engagement-secrets-from-millennials>

<sup>23</sup> <https://netimpact.org/sites/default/files/documents/what-workers-want-2012-summary.pdf>

<sup>24</sup> <http://www.nyu.edu/about/news-publications/news/2013/09/17/stern-study-shows-customers-are-willing-to-pay-more-for-socially-responsible-products-.html>

<sup>25</sup> <http://www.univsource.com/ct.htm>

### ◉ *Low Barriers to Making Connecticut a Leader*

Another reason to make Connecticut *the* social enterprise state is the low marginal costs associated with doing so. Because Connecticut’s Benefit Corporation Act is already one of the most comprehensive in the country, it will not take much policy innovation or heavy lifting on the part of Connecticut’s legislature to position the state as a national leader in this area, as Connecticut would have a “first to market” advantage within the sector. In the next section, there is a list of short-term and long-term policy innovations that, if passed into law, would position Connecticut as a leading and highly desirable location to organize a social enterprise.

## **Policy Proposals**

The following proposals were developed as a result of a comprehensive nation-wide study of social enterprise statutes and scholarly articles, as well as significant numbers of discussions with attorneys, social entrepreneurs, and experts in social enterprise law. They are designed to work together to make it as simple as possible for entrepreneurs to organize and operate as a social enterprise in Connecticut, for consumers to differentiate them from standard businesses, and to incentivize potential investors to drive capital to social enterprises. While each proposal would have a positive effect on Connecticut’s social enterprise sector if implemented separately, together, they will be much more powerful.

### **Short-Term Policy Proposals**

#### ◉ Naming

For social entrepreneurs, the ability to clearly differentiate a social enterprise from a regular for-profit business is a key signaling function for attracting customers and investors. Likewise, from a legal standpoint, it is generally seen as important to differentiate between entity types such as corporations and limited liability companies by placing a signifier such as “LLC” or “Inc.” after the name of the business. While some states have created unique signifiers for benefit corporations (for example, Minnesota benefit corporations must put “GBC” or “SBC”),<sup>26</sup> every other state that has passed benefit corporation legislation (including Connecticut) treats them like regular corporations, simply requiring the use of “Inc.,” “Corp.,”

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<sup>26</sup> <http://socentlaw.com/2014/08/social-enterprise-law-update-and-map/>

or “Incorporated” after the business’s name.<sup>27</sup> This trend, somewhat strangely enough, is unique to benefit corporations. Other social enterprise entities use their own unique indicators. For example, ‘low-profit limited liability companies are required by law to use “L3C” as a signifier,<sup>28</sup> ‘social purpose corporations’ must use “SPC,”<sup>29</sup> etc.

To ensure that the distinction between benefit corporations and other corporations is clear, the signifier “BC” or “Ben. Corp.” should be required after the names of all benefit corporations that incorporate in Connecticut.<sup>30</sup> This would leave little doubt in the minds of consumers whether or not the company was organized as a benefit corporation. It would also be an added advantage in the fight against greenwashing, a practice whereby businesses without a demonstrable social or environmental mission position themselves as social enterprises as a marketing ploy. Additionally, because it will not include the “G” or “S” before the “BC” of the signifier, as in Minnesota, it will be as simple as possible for those not familiar with benefit corporations to ascertain what exactly the signifier is referring to. Ideally, it would also set a precedent favoring simplicity and uniformity (since the signifier is not state-specific), leading to adoption in other states.

#### ● Benefit LLC

The ‘benefit LLC’ is an elegant solution to an issue that many attorneys have identified with the benefit corporation - the issue of double taxation. Benefit corporations can be taxed under either subchapter C, or subchapter S of the federal tax code, which in turn affects state tax status.<sup>31</sup> The earnings of subchapter C corporations are taxed once at the corporate level, and then again when dividends are paid out, hence the term “double taxation.”<sup>32</sup> Subchapter S corporations receive pass-through tax treatment, meaning that any earnings or losses are passed through to the personal income statements of the owners of the corporation.<sup>33</sup> This is known as “single” taxation.

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<sup>27</sup> Brewer, Cass, Social Enterprise Entity Comparison Chart (August 1, 2014). Available at SSRN: <http://ssrn.com/abstract=2304892>

<sup>28</sup> <http://www.cga.ct.gov/2011/rpt/2011-R-0344.htm>

<sup>29</sup> <http://apps.leg.wa.gov/rcw/default.aspx?cite=23B.25&full=true#23B.25.040>

<sup>30</sup> Some people use the term “B Corp” to refer to a benefit corporation. A “b corp,” however, is a certification offered by B Lab, the non-profit organization that developed the first benefit corporation act. Any for-profit organization, regardless of its legal structure, can become a “certified b corp.” Requiring Connecticut benefit corporations to call themselves “b corps” would likely breed even more confusion that what currently exists when it comes to the difference between the “b corp” certification, and the “benefit corporation” legal entity. To learn more, visit <http://ctinnovations.com/resource/70/BCorpsvsBenefitCorps>

<sup>31</sup> <http://benefitcorp.net/what-makes-benefit-corp-different/benefit-corp-and-nonprofits>

<sup>32</sup> <http://www.inc.com/guides/starting-a-c-corp.html>

<sup>33</sup> <http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/S-Corporations>

It is quite obvious why a startup social entrepreneur would not prefer subchapter C tax status, and would choose to elect subchapter S tax status. Unfortunately, there are significant downsides to electing subchapter S tax status. To do so, all shareholders of the business must be U.S. Citizens, and must be natural persons (no investment companies allowed).<sup>34</sup> Additionally, S corporations may only issue one class of stock, and there may be no more than one hundred shareholders of the corporation.<sup>35</sup> With the myriad issues that subchapter S taxation causes, many Connecticut practitioners working with social entrepreneurs have been reticent to recommend the benefit corporation as a legal structure to their start-up clients, and have called for adoption of legislation establishing “benefit LLCs,” which are available now in two states, Oregon and Maryland.<sup>36</sup>

Benefit LLCs are treated identically to LLCs for tax purposes. They receive all of the benefits S Corporations do with pass-through taxation, but without the onerous obstacles. Much like its statutory sister the benefit corporation, the benefit LLC is required to provide both a general public benefit (“a material, positive, impact on society and the environment”)<sup>37</sup> and (if desired) a specific public benefit.<sup>38</sup> In addition, like benefit corporations, benefit LLCs are required to submit an annual benefit report which includes an assessment of the business’s social and environmental impact by an independent third party, and include a narrative discussing the extent to which a specific and/or general public benefit has been created, along with any circumstances which hindered the creation of a specific and/or public benefit by the benefit LLC.<sup>39</sup> All other elements of the benefit LLC are identical to and subject to the same laws as a traditional LLC.

Because the LLC is a hybrid legal entity that is extremely flexible (it has a partnership’s tax structure and the limited liability of a corporation), it is possible for critics to question the utility associated with creating a new, separate legal entity based on the LLC that accomplishes nothing a regular LLC cannot (technically) already do. Proponents would answer by citing the lower transaction costs and branding advantages of the benefit LLC. In a law review article by J. Haskell Murray, a frequent scholarly contributor to the area of social enterprise law, he states that “[s]ocial investors want transparency, accountability,

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<sup>34</sup> Id.

<sup>35</sup> Id.

<sup>36</sup> <http://socentlaw.com/2014/08/social-enterprise-law-update-and-map/>

<sup>37</sup> S.B. 595, 2011 Gen. Assemb, Reg. Sess. (Md. 2011).

<sup>38</sup> Id.

<sup>39</sup> Id.

and measurability, but each of those increases transaction costs for the social entrepreneur. Social entrepreneurs with their often very small companies, need easy points of entry.”<sup>40</sup>

Murray later suggests that benefit LLCs, along with “increased automation of organizational documents”<sup>41</sup> will help provide budding social entrepreneurs with a ready-made framework for organizing their social enterprise, through the use of the benefit LLC framework and model organization documents. The benefit LLC can offer startup social entrepreneurs an alternative to creating benefit corporations, providing the easy point of entry discussed by Professor Murray, and minimizing transaction costs. Simple articles of organization forms provided by the Secretary of the State’s office would allow entrepreneurs to form a benefit LLC with the check of a box. This can be contrasted to the current situation, where a social entrepreneur that wants to use an LLC must pay an attorney to draft special provisions creating a reporting framework, and laying out a social or environmental purpose for the business.

With regards to branding, the use of the ‘benefit LLC’ signifier can help signal to businesspeople and consumers alike that it operates with a fundamentally different purpose than the typical LLC, and that it is attempting to solve social problems with market-based solutions. As noted in the previous section, rather than forcing the greater public to examine mission statements, corporate reports, etc. consumers can look to the signifier following the business’s name and receive “some assurance that the company is attempting to improve society and the environment,”<sup>42</sup> thus providing a substantial boost to the marketing efforts of nascent social enterprises, which would normally not have sufficient funds to differentiate themselves from typical for-profit ventures.

When it comes to making Connecticut *the* state for social enterprise law, making benefit LLCs available is absolutely crucial. Oregon, whose Benefit Corporation Act went into effect on January 1st, 2014, has 83 benefit corporations that have incorporated to date.<sup>43</sup> In stark contrast, Oregon’s benefit LLC, which also became available on January 1st, 2014 has 466 users of the entity.<sup>44</sup> While it is difficult to ascertain for certain why this is the case, it can almost certainly be attributed to the fact that the LLC form

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<sup>40</sup> Murray, *supra* note 2 (manuscript at 42).

<sup>41</sup> *Id.* at 43.

<sup>42</sup> *Id.*

<sup>43</sup> [Sos.oregon.gov/business/Pages/Oregon-benefit-companies.aspx](http://Sos.oregon.gov/business/Pages/Oregon-benefit-companies.aspx) (Last accessed August 1st, 2015)

<sup>44</sup> *Id.*

is preferred by attorneys when establishing start-up businesses, due to the flexibility and tax advantages that the form provides.

Connecticut, where the benefit corporation entity has been available for just five months, had 49 companies that incorporated as a benefit corporation as of August 1st, 2015, a number which is growing.<sup>45</sup> Both Oregon and Connecticut have similar populations (CT - 3.5 million, OR - 3.9 million),<sup>46</sup> and while there is no way to tell whether Connecticut would have a similar adoption rate of benefit LLCs as Oregon has had, judging from initial feedback by social entrepreneurs and attorneys who have weighed the pros and cons of becoming a benefit corporation, the issues associated with electing subchapter S tax status has proven to be insurmountable for many interested in formally organizing their business as a social enterprise under Connecticut law.

#### ● Angel Investor Tax Credits

There are a number of tax credits available to various types of businesses within Connecticut. Perhaps the most relevant to social entrepreneurs is the Angel Investor Tax Credit. Social entrepreneurs, not unlike typical entrepreneurs, are on a constant quest for access to investment capital. Because the majority of the social enterprises currently operating in Connecticut are at the startup phase, incentivizing investment in this stage of company is crucial if the state is to become a leader in the development of the social enterprise law sector.

Currently, the Angel Investor Tax Credit is structured in such a way that investors can receive a 25% tax credit (up to a total of \$250,000 in credits) on investments of \$25,000 or more.<sup>47</sup> The businesses must be Connecticut-based, and engaged in the fields of bioscience, advanced materials, photonics, information technology, or clean technology.<sup>48</sup> Since changes to the credit were put into place in 2012 to lower the amount of investment capital need to qualify for the credit (from \$100,000 to \$25,000), there has been increased use of the credit.<sup>49</sup> According to an article published shortly after the changes to the

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<sup>45</sup> <https://data.ct.gov/Business/Benefit-Corporation-Data/r8fi-whh5>

<sup>46</sup> <http://www.census.gov/popest/data/state/totals/2014/index.html>

<sup>47</sup> <http://ctinnovations.com/angels>

<sup>48</sup> <http://ctinnovations.com/pdf/Angel%20Legislation.pdf>

<sup>49</sup> [http://articles.courant.com/2012-06-08/business/hc-angel-investor-credits-20120608\\_1\\_angel-investors-tax-credit-start-up-firms](http://articles.courant.com/2012-06-08/business/hc-angel-investor-credits-20120608_1_angel-investors-tax-credit-start-up-firms)

credit were made, “the number grew with 84 angel investors pledging \$8.6 million in 23 companies as compared to 13 angel investors pledging \$2.4 million to 9 companies in the six month prior to revision.”<sup>50</sup>

To promote investment in Connecticut social enterprises, the Angel Investor Tax Credit should be modified to include “social enterprise” as a sixth business category eligible for the tax credit. To do so would likely require the development of a statutory definition of what constitutes a “social enterprise” for purposes of the tax credit. There is no precedent for developing such a definition in the U.S., but definitions for similar cutting edge sectors have been defined by statute for the purposes of tax credits. In Connecticut, the state’s “New Reinsurance Reinvestment Fund Tax Credit” legislation, which was passed in 2010, defines a “green technology business” for example.<sup>51</sup> While the statutory term “social enterprise” should be defined as a benefit corporation, or benefit LLC to encourage the use of the entities, it will be necessary to add additional language to ensure that companies recognized as “social enterprises” are in compliance with the reporting requirements of the benefit corporation or benefit LLC statutes.

#### ● Noisy Withdrawal

As an additional transparency measure, benefit corporations that opt to become a regular, for-profit entity should make this transition visible to the public. In a Quinnipiac University School of Law Law Review article, authors Tyler, Absher, Garman, and Luppino recommend that hybrid forms should have a “noisy withdrawal” provision.<sup>52</sup> This provision would require a benefit company to file a public notice in the event of its transition into a non-benefit company entity.<sup>53</sup> A noisy withdrawal would ensure that any attempt by a benefit corporation to forgo its social or environmental purpose would be made known to regulatory officials, creditors, customers, suppliers, and the public at large.

#### ● Availability of Annual Benefit Reports

Under Connecticut’s benefit corporation statute, a benefit corporation must file its annual benefit report either within 120 days of the end of its fiscal year, or at the same time that it files any other annual report to shareholders. As written, this requirement creates issues when a business incorporates as a

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<sup>50</sup> Understanding the Angel Investor Tax Credit, by Diego Mas Gonzales

<sup>51</sup> <http://www.cga.ct.gov/2010/ACT/PA/2010PA-00075-R00HB-05435-PA.htm>

<sup>52</sup> Luppino, Anthony J. and Absher, Evan and Garman, Kathleen and John, Tyler, Producing Better Mileage: Advancing the Design and Usefulness of Hybrid Vehicles for Social Business Ventures (October 6, 2014).

<sup>53</sup> Id.



benefit corporation and has less than nine months before its fiscal year winds down. It essentially requires them file an annual benefit report without having been in operation for a full year.

Recognizing this oversight, Rhode Island passed legislation amending their statute so that benefit corporations are only required to file their first benefit reports the year following the year of the entity's incorporation.<sup>54</sup> Benefit corporations are still required to file an annual benefit report 120 days after the end of their fiscal year, but this new language ensures that young benefit corporations are not required to expend precious time and resources to become compliant with the reporting requirements at a time where they have created little or no positive social or environmental impact.

## **Long-Term Policy Proposals**

- Creating a 'Best in the Nation' Benefit Company Regulatory Framework

### *Understanding Benefit Company Regulation*

Benefit corporations and benefit LLC statutes supplement existing corporate or LLC law in the states where they have been passed. As a result, they are creatures of corporate or LLC law respectively, and do not create entirely new bodies of law, as other social enterprise legal entities have. That being said, however, because benefit companies create new duties for directors and officers, and create new requirements that these companies must comply with, they are subject to additional restrictions and potential penalties that typical corporations or LLCs are not subject to, as discussed below.

### *Benefit Company-Specific Regulations*

The annual benefit report requirement in the benefit company statutes that have been passed throughout the majority of states across the U.S. were put in place to increase the transparency and accountability of businesses purporting to create a positive social or environmental impact.<sup>55</sup> Generally, an annual benefit report must include the results of a third-party assessment of the company's positive social and environmental impact, as well as a narrative description of the company's pursuit of a positive social and environmental impact, and whether that pursuit was hindered in any way.<sup>56</sup> The reports are required to be posted on the company's public-facing website, or provided free of charge to anyone

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<sup>54</sup> <http://webserver.rilin.state.ri.us/BillText15/HouseText15/H6039.pdf>

<sup>55</sup> <http://ssrn.com/abstract=1988556>

<sup>56</sup> *Id.*

requesting the report if the company does not have a website. In all but a few states that have external mechanisms to enforce the proper and timely filings of annual benefit reports, the enforcement of the reporting requirements of the majority of benefit company statutes is left up to internal actors within a benefit company.<sup>57</sup>

### *External Enforcement Mechanisms*

If a benefit company does not properly produce an annual benefit report, or file it on time, there is little that consumers, employees, competitors, or other third parties can do to compel the company to file the report on time. In a few select states, the Secretary of the State's office has the ability to administratively revoke the benefit company's status as a benefit company, and revert it to a standard corporation or LLC.<sup>58</sup> In the majority of states, however, there is no direct third-party mechanism for enforcing the annual benefit reporting requirements under the statutes.

Rather than provide third parties the direct ability to enforce compliance with benefit company statutes, proponents of benefit company legislation made a case that the consumers and the press would favor companies that were compliant with the benefit company statutes, and punish companies that were not compliant. Generally, legislatures were persuaded by the line of thinking supporting the idea that market forces created a proper third-party mechanism for policing the sector. Some states, however, have developed express penalties for not filing an annual benefit report.<sup>59</sup> Among the states that have developed penalties, no two are alike. Approaches range from revoking a benefit corporation's status as such, to providing attorney's fees and other compensation to shareholders that bring a benefit enforcement proceeding to compel the publishing of an annual benefit report.<sup>60</sup>

### *Internal Enforcement Mechanisms*

If a benefit company does not properly produce an annual benefit report, or file it on time, there is a first-party enforcement mechanism available to ensure that the requirements are complied with,

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<sup>57</sup> Id.

<sup>58</sup> Although this means of policing the benefit corporation sector ensures that non-compliant benefit corporations are purged from a state's cohort of benefit corporations, it is not a perfect solution. An unintended consequence of this policy is that it give directors or officers of a benefit company who do not have the requisite 2/3rds shareholder vote to undo benefit company status a back door means of undoing the status.

<sup>59</sup> Id. at 60.

<sup>60</sup> Id.

called a “benefit enforcement proceeding.” A benefit enforcement proceeding allows a benefit director, and officer, or a shareholder with greater than 5% of the outstanding shares of the organization (generally) to ask a court for an injunction, and require the benefit corporation to comply with the annual benefit reporting requirements.<sup>61</sup> Benefit enforcement proceedings can also be used to enforce any other requirement laid out in the certificate of incorporation or articles of organization pertaining to the organization’s general or specific public benefit.

### *Effectiveness of the current regulatory regime*

Whether or not benefit enforcement proceedings will be effective in policing the benefit company sector remains to be seen. So far, there has not been a benefit enforcement proceeding that has been initiated anywhere in the U.S. This is especially surprising, given the lack of compliance with benefit corporation’s annual benefit report requirements nationally. Although there is no reliable data demonstrating the level of compliance with the benefit company statutes nationally, in a recent web search by this author, it appeared that less than 100 annual benefit reports had been posted to the web. This comes despite the fact that over 1,000 benefit corporations have incorporated since 2010.<sup>62</sup>

#### ● Policy recommendation

Any attempt to change the regulatory regime in order to increase compliance with transparency measures would be unwise without input from all the potential stakeholders that could be affected by such a decision. A group of all the stakeholders should be convened to form a Social Enterprise Panel that will be responsible for overseeing a study on social enterprise law on a national and international scale, and develop policy recommendations to ensure:

1. Connecticut consumers, service providers, and entrepreneurs are well-educated about benefit company entities, how they are used, and the reporting requirements associated with the entities;
2. High compliance with the annual benefit reporting and specific/general public benefit purpose requirements included in the Connecticut statute;
3. Connecticut is seen as the preeminent state for social enterprise law and policy.

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<sup>61</sup> Id.

<sup>62</sup> [http://www.ssireview.org/blog/entry/benefit\\_corporation\\_and\\_l3c\\_adoption\\_a\\_survey](http://www.ssireview.org/blog/entry/benefit_corporation_and_l3c_adoption_a_survey)

The panel will ultimately determine whether or not the current enforcement mechanisms for benefit companies within the state are truly effective, and present their findings to the General Assembly. Input from stakeholders will ensure that the study will be holistic and as objective as possible. As a result, any new polices developed in response to the study will balance both the rights of the public to be informed about the social and environmental impact of a benefit company, and also the potential chilling effect that policies can have on the desires of entrepreneurs or attorneys to use or recommend Connecticut's benefit company statutes.

- Connecticut Business Law Center

A Business Law Center should be established at the University of Connecticut School of Law, as prescribed by L. Francis Huck. Connecticut's unique set of demographics, socioeconomic conditions, and policy infrastructure has primed the state to take on the role as the nation's hub of social enterprise. Without a highly knowledgeable and supportive legal community, however, Connecticut's assets are lost. A Business Law Center would train Connecticut's lawyers to be experts in the field of business law, including expertise regarding benefit companies.

This is of particular importance to benefit companies because they are relatively new legal entities. Inherent in any new form of business is reluctance among lawyers to counsel their clients to take on that form due to a general lack of legal precedent and inexperience with the form. The establishment of a Center would equip Connecticut attorneys with relevant information about benefit companies so that they can make informed decisions about how to advise their clients, and how to contribute to the evolution of its policy.

- Benefit Company Liaison

The Governor should appoint a Benefit Corporation Liaison similar to the nonprofit Liaison that currently exists for nonprofit organizations in Connecticut.<sup>63</sup> A healthy partnership between the public and private sectors is essential for providing goods and services to Connecticut's residents and the creation of a Social Enterprise Liaison would strengthen this relationship.

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<sup>63</sup>[http://portal.ct.gov/Departments\\_and\\_Agencies/Office\\_of\\_the\\_Governor/Learn\\_More/Governor\\_s\\_Nonprofit\\_Liaison/](http://portal.ct.gov/Departments_and_Agencies/Office_of_the_Governor/Learn_More/Governor_s_Nonprofit_Liaison/)

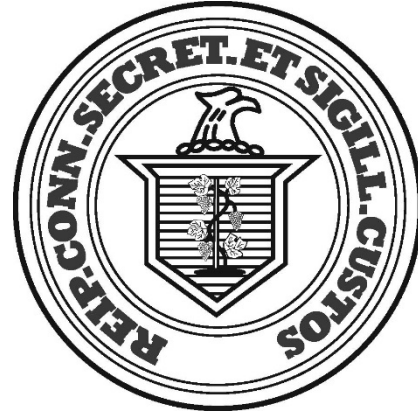
A Liaison could improve the ways that the state communicates with benefit corporations by serving as a spokesperson on behalf of the state, as well as advocate on behalf of benefit companies. Because benefit companies are new legal entities, they will have a unique, and evolving set of concerns about how to navigate an increasingly complex global marketplace. Having a single position designated for communicating between state government and the private sector would send a powerful message to social entrepreneurs and offer a newfound legitimacy to the movement. It would not only offer support to existing social entrepreneurs, but would also show entrepreneurs outside of the state that Connecticut is supportive of this new way of doing business. Ideally, the appointee would be housed within the Department of Economic and Community Development.

## **Conclusion**

It is clear that there is a tremendous opportunity for Connecticut to become the national leader in social enterprise law. To become a national leader, however, the legislature must seize the opportunity at hand, and introduce legislation enabling the policies discussed above. The policies in this report have been crafted in such a way as to drive increases in the number of companies that use social enterprise entities within the state, to make it easier for consumers to gain access to information about these businesses, and to encourage investment in them, all with minimum fiscal impacts from a state budgeting perspective.

**Exhibit 13:**

**Secretary of the State Presentation**



# BUSINESS SERVICES DIVISION

OFFICE OF THE SECRETARY OF THE STATE

Our role in registering and maintaining information about  
businesses operating in Connecticut



## WHO WE ARE AND WHAT WE DO

- Officially named the “Commercial Recording Division”—operating under a name that better describes what we do.
- **Maintain the record** of birth, major lifetime events and dissolution of **business entities, including the registration of foreign entities** seeking authority to transact business in Connecticut.
- **Maintain the public record** of the **Uniform Commercial Code**
- **Gateway Agency**—Often the **first point of contact** with the State of Connecticut

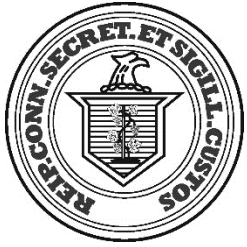
### **Entities include:**

- **Business Corporations**
- **Nonstock Corporations**
- **LLC’s • LP’s**
  - **LLP’s**
- **Statutory Trusts**

### **High Volume Filing Office**

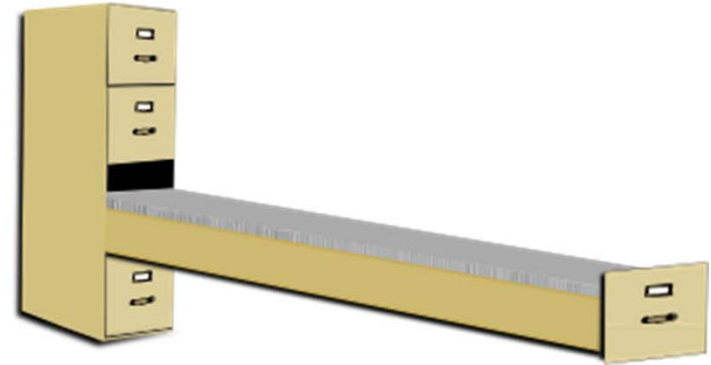
- Approx. 750K filings/year
- >\$30 million annual revenue in filing fees
- Approx. 300K active entities





# STATUTORILY PRESCRIBED OPERATIONAL ENVIRONMENT

- Ministerial Role
- Prescriptive Statutes—little discretion
- Ministerial Standard of Review



**“If a form is properly completed with data in all the required fields, and if the fee is paid, we **MUST** file the document.”**

- Judicial Order required to remove document from record
- Statutes establish criminal code violations for fraudulent/harassment filings
- Statutes provide civil recourse for harmed parties



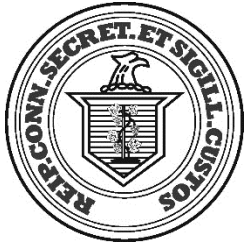


# A RECORD OF POSITIVE PARTNERSHIPS TO IMPROVE LAWS AND SERVICES

The BSD partners actively and regularly with many agencies and organizations, including:



\* Participation ensures that the BSD develops best practices and operates efficiently.



# THE BSD—HARNESSING MODERN TECHNOLOGIES TO DRIVE EFFICIENCY AND CONVENIENCE

## ➤ Mandatory Online Filing of Annual Reports

- 98% Adoption Rate
- Agency has overcome historic backlogs
- Agency has absorbed 29% staffing reductions through attrition
- Agency can handle increasing volumes of work with stable workforce

Transformative

### Welcome to the **Business Startup Tool**

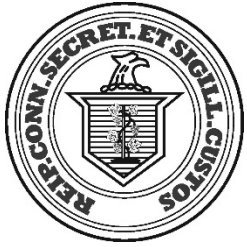
The **Business Startup Tool** will help you to get your business started in Connecticut on the right footing, using an online tool that leads you easily through all the steps.

If you operate an existing foreign entity that is formed under the laws of another jurisdiction, you can also use the **Business Startup Tool** to register your Certificate of Authority. The **Business Startup Tool** is brought to you by Secretary of the State Denise W. Merrill.

Connecticut... your business starts here!  
Secretary of State Denise Merrill



Award-winning  
Online  
Business  
Startup Tool



# THE BSD—HARNESSING MODERN TECHNOLOGIES TO DRIVE EFFICIENCY AND CONVENIENCE

- An unprecedented level of new online filing options
  - Frontloaded the automation of the most popular filings and services, including Certificates of Legal Existence
  - All UCC filings are now automated—80%+ online filing rate
  - Many more online services to come, including online business formation and registration
- Agency has met many significant law changes with timely automation responses
  - Benefit Corporation Act—Database tracks benefit status of domestic corporations
  - CETA—Connecticut Entity Transaction Act—a business-friendly law
  - UCC Revised Article 9
  - Amendments to the CBCA (CT Business Corporation Act)

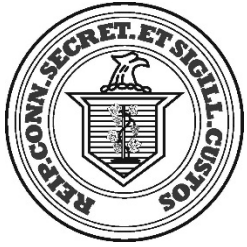




## CHALLENGES FACING THE BSD (RELATIVE TO THE COMMISSION'S WORK)

- All challenges are resource-based
  - Transitioning from heavy volume paper filing office to a largely automated filing office with heavy phone traffic and assisting customers with online filing navigational issues
    - Need to update our staffing model over time to meet the new mission
    - Call center; multi-task
  - More complex legal filings (CETA)—Will need additional attorney and para-professional positions

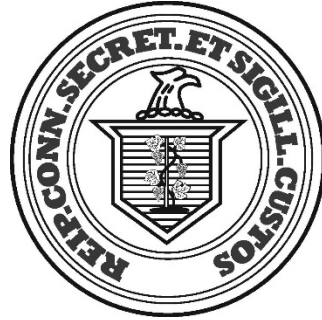




## CHALLENGES FACING THE BSD (RELATIVE TO THE COMMISSION'S WORK)

- Development of the Online Business App (CONCORD) lagged due to inconsistent funding in past
  - Some IT funding in 2011 helped
  - Will need funding to grow system to match DE
- BSD's automation and online functions are constrained by the interface with state-wide IT infrastructure
  - May require upgrade in server capacity to match DE's system in terms of processing speed and service.
- **Competing with Delaware requires commitment of resources on par with that state.**





# BUSINESS SERVICES DIVISION

OFFICE OF THE SECRETARY OF THE STATE

Questions?

Thank you for your time and attention.

## **Exhibit 14:**

# **Equity Crowdfunding**



“Equity crowdfunding” has become a much studied and discussed topic. Journalists, tech entrepreneurs and workers, securities regulators, venture capitalists and economic development specialists have all spoken out. The Jumpstart Our Business Startups Act of 2012, or the JOBS Act, built on the broad interest by requiring the SEC to promulgate rules enabling more effective equity crowdfunding. The goals sought were to facilitate fundraising for start-ups and to provide ways for savvy consumers and new investors to participate in early equity offerings without qualifying as accredited investors.

Since the 1930’s entrepreneurs have been significantly regulated, and restricted, in their fundraising efforts. Essentially, they have needed – once they want to move beyond close family and friends and bank borrowings – to confine their solicitations for funds to well-to-do individuals and institutions. More ordinary individuals, including consumers and interested observers, have had to wait for start-ups to reach the maturity and measure of success vital for an initial public offering before they could invest. In recent years there has been a focus on how securities laws and regulations, at both the Federal and state levels, intended to prevent fraudulent or misleading securities offerings have naturally hindered business creation, especially cutting-edge business formations, and limited investment opportunities. Similar concerns in other developed countries have led to moves to modernize and “deregulate” rules seen as too burdensome for fundraising by start-ups.

Since there has been wide recognition of the value of new enterprises to economic growth, nearly 30 states have adopted new laws or regulations to facilitate fundraising by start-ups, largely within the intra-state offerings exemption long a part of the Federal securities laws. These laws and regulations typically permit companies to raise between \$1 and \$2 million annually in offerings that permit participation by ordinary individuals and yet are subject only to disclosure and registration requirements that are considered by state authorities to be manageable for new entities. The New York Times reports that the number of such offerings actually completed under these provisions has been small, and there is some commentary to the effect that the value to using them, so that ordinary individuals can take part, has less to do with garnering funds than with creating buzz and solidifying relationships with trendsetting customers. As time goes on, there may be greater utilization of these provisions, but the limitations imposed by the intrastate exemption are likely to make them of relatively little usefulness for ambitious start-ups. Not only does the business offering securities need to be incorporated in the state and the investors reside there, but the business must carry on 80% or more of its operations in the state, a condition often difficult to assess or satisfy.

Connecticut has not been among the states adopting equity crowdfunding provisions. In 2014 legislation was introduced to ask the Department of Banking to consider the utility and appropriateness of such provisions and report, but was never passed. On its own, the Department of Banking has followed developments in other states but has so far deferred making any requests of the Legislature. It has observed the infrequency of use of other states' provisions and notes that some existing state rules permit at least some of the offerings equity crowdfunding statutes allow and that Connecticut's small size and interactions with adjacent states make a reliance on the intrastate exemption more problematic for businesses here than elsewhere. It also has been inclined to wait to see how the SEC completes its work on the topic.

As called for under the JOBS Act, the SEC has established three new regulatory frameworks for fundraising by start-ups. These are intended, to varying degrees, to simplify and make more effective the offering process for small companies and expand their possible investor base, in comparison with the traditional private offerings under Regulation D. The first of these – under Regulation D Rule 506(c) – can be seen as deregulating some aspects of offerings to accredited investors, though there is a stricter verification standard to assure the investors are in fact accredited.

The second framework – announced in March of this year and known informally as “Regulation A+” – creates two tiers of offerings exempt from normal review and registration requirements – Tier 1 and Tier 2. Under Tier 1 a company may issue securities for sales proceeds of up to \$20 million in the aggregate in offerings that do not require the delivery of audited financials to investors but do require compliance with state securities laws and certain customary disclosures and filings. Under Tier 2 a company may issue securities for sale proceeds of up to \$50 million in offerings that do require the delivery of audited financials and compliance with rules mandating more rigorous initial disclosures and ongoing event and periodical reports and financials. Tier 2 offerings are exempt from compliance with state securities laws. A feature of Regulation A+ generally is that the offered securities should be fairly tradable. State authorities in Massachusetts and Montana are challenging the Tier 2 exemption from state “blue sky” rules, which relies on the concept of Federal “pre-emption”. Regulation A+ only became effective at the end of May and so it is not known whether it will have a meaningful impact on fundraising for startups.

The third SEC framework – often described as for “retail crowdfunding” – has just been finalized. Called “Regulation Crowdfunding” it too benefits from Federal pre-emption. It permits a company to raise up to \$1 million annually by soliciting investors in the general public through a qualified online funding portal or broker-dealer intermediary. There are investment limits for individual investors (based on net income and net worth) and meaningful disclosure, filing and annual reporting requirements. The financial statements of a company offering more than \$100,000

of securities must be reviewed or audited by independent accountants (and must be audited in the case of an offering for more than \$500,000).

Significantly, for Connecticut as well as the states that have adopted crowdfunding laws or regulations, at the same time as it finalized Regulation Crowdfunding the SEC also proposed amendments to its Rule 147. That rule currently sets out a “safe harbor” for offerings looking to qualify for the intrastate offering exemption in the Federal securities laws. The proposed amendments have been published for public comment and could become effective as early as the beginning of 2016. As amended, Rule 147 would create a new exemption from the SEC’s registration requirements for offerings that, in today’s world, would be viewed as in the spirit of intrastate offerings but would not fit within the precise limitations of the statutory exemption. The new Rule 147 would permit an entity organized under the laws of another state and yet operating within, and at the direction of residents of, a state to conduct an exempted offering within the state so long as the offering were registered with the state or exempted by the state from being registered. The offering could also be “offered” to residents of other states, by virtue of its reliance on internet offering protocols, so long as it were only sold to in-state residents. Under companion amendments to the SEC’s Rule 504, a company could issue up to \$5,000,000 in securities in a year under a Rule 147 offering, an amount well in excess of the limit in possibly all existing state provisions. If the amendments were adopted, most states with crowdfunding laws or regulations would want to consider how they should be revised to better take advantage of the Federal liberalization while providing appropriate protections to investors in their states.

Connecticut should welcome the opportunity provided by the proposed amendments to Rules 147 and 504 to reassess its cautious approach to equity crowdfunding. The Department of Banking should study the proposed amendments with a view to submitting comments on them and developing a suitable framework for facilitating equity crowdfunding in Connecticut. The revised SEC rules, if and when adopted, will be intended to make intrastate crowdfunding more realistically available for start-ups. As a result, they are likely to make complementary and helpful state provisions much more important in the competitive landscape for business formations.

Part of Connecticut’s political culture is a stress on protecting consumers and individual investors against unsafe or shady products and investments. Thus, de-regulation, in effect, of a key financial product – start-up equity – calls, for some careful calibrations. Favorable new provisions for equity crowdfunding should, however, strengthen Connecticut’s reputation for nourishing start-ups, particularly in tech, biosciences and advanced manufacturing.

**Exhibit 15:**

**CBIA Statement on Non-Competes**

**Commission on Connecticut's Leadership in Corporate and Business Law  
Wednesday, September 30, 2015**

**RE: CBIA OPPOSES a Ban on Covenants Not-to-Compete**

We understand that the Commission on Connecticut's Leadership in Corporate and Business Law is considering whether to recommend and propose legislation prohibiting the use of non-compete covenants. CBIA has worked with the Connecticut Bar Association over the years regarding this issue (they too have the similar position that banning would be detrimental for businesses). The following are some key factors supporting CBIA's view.

- Covenants not-to-compete are important tools for businesses to protect their proprietary information, especially in specialized areas such as bioscience/research and tech, and if not drafted reasonably and fairly- they are unenforceable.
- Efforts by the General Assembly to wade into this area would inject an unnecessary element of uncertainty and confusion to the detriment of a company's doing business in Connecticut. Connecticut has a history of almost 100 years of court decisions enforcing reasonable covenants not-to-compete.
- Reasonable covenants not-to-compete are important for businesses to protect their confidential and proprietary information. (esp. tech, bioscience). Unless properly drafted and limited in scope (geographic area, time period) they are unenforceable.
- Non compete clauses/contracts are used widely in the biopharma industry and are viewed as critical to the biopharma business model. Biopharma companies are disproportionately dependent on intellectual property. Compared to a "tech" company (IT, computer design, mobile apps, etc.), which may make use of hundreds of patents, biopharma new medicine compounds are often based on a few, often less than ten, essential/critical patents.
- Protecting plans for use of biopharma patents and research data created in working with the patents is paramount. Knowledge gleaned by an employee about the qualities, ramifications, nature, etc. of a patent can become very useful and valuable information to a competitor employer/company. For example, how a biopharma's intellectual property works out in a new medicine during clinical trials might give a competitor company working on a competitor/similar medicine insight into the mechanism of whatever disease is being targeted and speed the competitor's path to market.

- Breach of confidential/proprietary information for a biopharma company related to its core small number of patents could derail a project. Given that it takes approximately 12-15 years and between \$1.8 and \$2.6 billion to bring a new medicine from concept to FDA approved product, such a breach could have huge financial consequences for a company.

For additional information, please contact Bonnie Stewart at 860.244.1925 or [bonnie.stewart@cbia.com](mailto:bonnie.stewart@cbia.com) or Louise DiCocco at 860.244.1169 or [louise.dicocco@cbia.com](mailto:louise.dicocco@cbia.com).