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Written Testimony
Comptroller Kevin Lembo
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Concerning
P.B. 6746: An Act Establishing a Biotechnology and Bioscience Investment Tax Credit Program
P.B. 619: An Act Concerning Reporting and Legislative Oversight of the First Five Plus Program

Senator Hartley, Representative Simmons, Senator Frantz, Representative Yaccarino and members of the Commerce Committee:

Thank you for raising Proposed Bills 619 and 6746, and providing me an opportunity to generally support the continued growth of our state's bioscience sector and the need for further analysis of our business assistance programs.

Proposed Bill 6746 focuses relief on an innovative growth sector for Connecticut. Connecticut's bioscience sector currently employs 24,000 workers and ranks 4th in the nation for bioscience patents per 1,000 people. I agree with the goal of growing this important sector in our state's economy, because it plays directly into Connecticut's strengths as a state – however, additional tax credits must be accompanied by effective analysis and evaluation of their return on investment.

Proposed Bill 619 brings up an important concern. The state provides hundreds of millions of dollars in tax credits to Connecticut businesses every year, including through the First Five Plus Program. These various tax credit programs are designed to incentivize economic development and job creation. The state owes it to businesses and all taxpayers to fully analyze the return on investment that these sizable and important programs actually deliver in order to assess whether such resources are fulfilling their intended purpose or, if not, whether state funds would be better deployed to other economic development or infrastructure investments.

I have asked the Finance Committee to raise legislation, which the Committee raised last week as *AAC Evaluation Of Business Assistance And Incentive Programs*, that seeks to enhance the efficiency and effectiveness of Connecticut's analysis of these investments.

The legislation requiring the Department of Economic and Community Development (DECD) to evaluate the state's tax credit and abatement programs every three years dates back to 2009 and does not include the First Five Plus Program. The legislation I have proposed seeks to bring our state in line with current best practice for evaluating economic incentives.

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Specifically, our legislation seeks to streamline the reporting requirements, require the Auditors of Public Accounts to evaluate the economic analysis performed by DECD and make recommendations based on that reporting, as well as perform a more thorough auditing of specific business incentive programs, and require specific legislative committees to hold public hearings to discuss the results of the evaluations and receive input from stakeholders.

The changes allow for an independent office to evaluate the performance of tax credits and abatements, rather than the office that administers the programs that award them. To date, DECD has done an admirable job in providing an unbiased analysis of the programs it oversees, but it can be challenging for an agency to fairly evaluate programs it promotes and administers. Of the states that require regular evaluation of their tax credit programs, only two charge their economic development agency with performing the evaluation and recommending potential changes. As written, P.B. 619 addresses the need to have regular reporting on the First Five program, but lacks third party oversight to ensure that the evaluation presents an unbiased view of the program and its impact.

Engaging a third party to assess both the impact of business assistance programs, like the First Five, and the efficiency of administration will help our state make better decisions in the future to ensure that we are getting the best return on the investments we make in economic development initiatives.