



CONNECTICUT SENATE REPUBLICANS

Plan for Progress and Opportunity in Connecticut's Cities

Overview

The 2015 Senate Republican Caucus plan for progress and opportunity in Connecticut's Cities is centered on strengthening and supporting urban communities by concentrating on policy initiatives and proposed legislation promoting *sustainable job growth, small business development, and leveraging public-private partnerships and collaborations*. Moreover, getting ex-offenders back to work and assisting with leading productive, fulfilling lives is paramount. To accomplish the aforementioned objectives, legislation is being put forth and the ground work is being laid to:

1. **Support Small Businesses**, by establishing **CT Fast Funds**, a loan program for "mom and pop" shops (micro-businesses).
2. **Support Economic Development**, by creating **CT EDGE**, a multi-faceted economic development tax credit program (two to three year pilot).
3. **Support Accessibility**, by advocating to streamline Connecticut's various economic development websites and virtual entry points to be more user friendly, practical and feature rich to ensure all learning resources are accessible to the public.
4. **Support Juvenile Justice**, by aligning sentencing guidelines with the 2012 *Miller v. Alabama* U.S. Supreme Court decision.
5. **Support Second Chances**, by applying the Governor's *Second Chance* proposals with some modifications and additional Senate Republican proposals that enhance what is being proposed.

Background

Through implementation of a loan guarantee program, **CT FAST Funds** coupled with establishment of a broader economic development tax credit program, **CT EDGE**, startups are provided with increased financing opportunities that can result in job creation while tax credits are a useful tool for investors and developers to pursue projects that would otherwise present intolerable financial burden and risks.

Unfortunately, it is widely accepted that Connecticut's business environment is crippling and discouraging to business growth. Such sentiment toward the state inherently renders larger cities less competitive, less attractive for private investment and undermines local economic development efforts.

Currently, there is a **BIG NEON** sign planted firmly outside of Connecticut that glaringly reads, "**CLOSED FOR BUSINESS.**" Although the state is facing a staggering budget deficit, these are precisely the times to double down on our communities and work to establish a more competitive, sustainable business environment. As evidenced by the most recent rankings from several indexes, there is much work to be done.

Connecticut Rankings

- 2014 Business Tax Climate Index¹ 42nd
- 2014 Property Tax² 49th
- 2014 CNBC America's Best States for Business³ 46th
 - Cost of Doing Business 47th
 - Cost of Living 48th
 - Economy 49th
 - Infrastructure 42nd
- 2014 Small Business Policy Index⁴ 41st
- 2014 Forbes Business Ranking⁵ 36rd
 - Regulatory Environment 37th
 - Economic Climate 44th
 - Business Costs 47th

With Connecticut continuing to rank poorly year after year, it's advisable for policy makers to champion policies and initiatives that assist the state in becoming a viable option for economic development and private investment.

¹ <http://taxfoundation.org/state-tax-climate/connecticut>

² <http://taxfoundation.org/state-tax-climate/connecticut>

³ <http://www.cnbc.com/id/101758236#>.

⁴ <http://www.sbecouncil.org/wp-content/uploads/2014/12/SBPI2014Final.pdf>

⁵ <http://www.forbes.com/places/ct/>

In addition to job growth and economic development, the Caucus wants to make sure people have the tools they need to learn about state support that is present, which is why this plan proposes renewing support for streamlining and aggregating resources via digital media.

The Caucus also hopes to tackle head-on unfavorable conditions contributing to long-term unemployment facing former ex-offenders reentering society by aligning Connecticut's sentencing guidelines and considerations with a recent Court decision, *Miller v. Alabama*. Furthermore, common sense modifications are being proposed that tweak judicial administration, strengthen victims' rights and enhance transparency.

Relatedly, Republicans are reviewing nationwide best practices and programs that have successful, quantifiable track records promoting job training, increasing employment opportunities and providing life skills instruction for ex-offenders. It's well understood that former inmates reentering society encounter many challenges and difficulties as they attempt to reenter the workforce, which make conditions ripe for personal setbacks that may result in more prison time and downward pressure on family structures.

While the initiatives highlighted do not constitute a panacea for all that ill Connecticut's cities, they represent a start and something the Senate Republican Caucus intends to build on moving forward.

Support for Small Businesses: CT FAST Funds

The purpose of **CT FAST Funds** is to provide viable startups with capital through state sponsored loan guarantees (up to 70%), with primary objectives being job creation and economic development. To fund said program, \$3 to \$5 million of *Small Business Express* funds can be repurposed to support FAST Funds. The Department of Economic Community Development (DECD) in conjunction with **partnering community banks** will administer the loan program.

Historically, it's extremely difficult for startups to obtain financing via traditional banking channels. And unless the business entity in question is the next Twitter, Google, etc., Angel Investors, Venture Capitalists (only one in 1,000 proposals receive funding) and most bankers do not have the appetite to finance startup companies. Commercial loan officers and underwriters typically want to see:

- Strong financial statements (Balance Sheet, Income Statement and Statement of Cash Flows).
- Positive cash flow and liquidity.
- Experienced and engaged management teams.
- Positive growth trajectory based on sound assumptions.

Startup companies, due to their nascent profile making them difficult to adequately evaluate, struggle to satisfy typical banking requirements, which place them in a “high risk” category. Consequently, businesses are usually undercapitalized at the outset causing many enterprises to fail. Lack of access to capital can have devastating repercussions that reverberate throughout the business community and populations they serve. During the credit crunch that plagued the country between 2008 and 2010, more than 170,000 small businesses disappeared and 12 million employees lost their jobs, according to a recent analysis of U.S. Census Bureau data.

Statistically, small businesses are hyper-vital to the U.S. economy accounting for more than 22 million of the 28 million businesses and employing 99.7% of the U.S. workforce. According to the California Association for Micro Enterprise Opportunity (businesses with one to four workers), from 2004 to 2010, U.S. micro-businesses created a net of 5.5 million jobs; large businesses (those with greater than 500 employees, a SBA standard) lost 1.8 million jobs during the same period.

Since 1995, small businesses have been responsible for 65% of all new jobs created; and notably, more than 50% of the U.S. working population (120 million people) work for small businesses. And while CT Innovations (CI), a quasi-governmental agency that dubs as a pseudo venture capitalist shop, provides startup and early stage funding, said funding is essentially reserved for high, explosive growth companies in industries such as tech, biotech and advance manufacturing. In many instances, the business concerns CI deals with have tremendous upside and sophisticated borrowers.

Whereas Small Business Express and CI leaves an access to capital void, **CT FAST Funds (*Financial Assistance for Startups*)** aims to encourage community banks and other lending partners, that would otherwise not extend credit, to lend to startups deemed risky by the banking community.

How Does the Loan Program Work?

Qualifying startups may receive a one-time micro-loan ranging from \$10,000.00 to \$50,000.00 from a participating community bank, particularly a community bank, with lending authority having discretion regarding interest rates based on overall credit risk and strength of the application. **Note:** Interest rate “floor” and “ceiling” can be negotiated with participating lenders.

Program Highlights:

- Provides up to 70% loan guarantee (of actual loss) from the State of Connecticut
- Provides up to ten (10) year terms
- Pairs additional financing at lenders’ discretion
- Structures flexible terms specific to borrower’s needs and circumstances
- Targets Connecticut’s larger cities, urban areas around high educational clusters
- Requires annual reporting to DECD (i.e. portfolio performance and number of jobs created)

Loan Proceeds Uses:

- Startup cost
- Working capital
- Business procurement
- Machinery & equipment
- Inventory
- Land, property, etc.
- Purchase, construct, upgrade or expand facilities
- Refinance existing debt
- Brownfield remediation and redevelopment
- Leasehold improvements

Lastly, Connecticut lags behind its immediate neighbors, New York and Massachusetts, with respect to creating a competitive business climate whereby a stable, predictable environment is established that allows companies to thrive and grow. New York is making aggressive, bold moves (<http://www.esd.ny.gov/>). *Start-Up NY* is Governor Cuomo's initiative to spur innovation and offer startups safe harbor. The more salient points of the program include:

- Businesses will be able to locate in these zones and operate 100% tax-free for 10 years
- No income tax
- No business or corporate state or local taxes
- No sales tax
- No property tax
- No franchise tax

As of this writing, Connecticut has not developed an answer to New York's program and even CT FAST Funds does not offer as generous, robust incentives as Start-Up NY. Massachusetts is taking targeted, measured steps as well. In economic development circles, Boston is referred to as the "East Coast Palo Alto." Boston Business Journal reports that Boston area biotech and tech firms have raised \$1 billion in funding in January 2015. Private investment is going to continue to pour into Massachusetts as a result of policy makers' deliberate decision to create a business, private investment magnet environment.

Candidly, Connecticut stumbles around economic development and has inconsistent policies and treats the business community poorly. Such unfavorable conditions undoubtedly have negative implications for urban centers.

Support for Economic Development: CT EDGE Tax Credit Program

The purpose of **CT EDGE Tax Credit Program** is to provide investors and developers a **tax credit for developing or converting existing vacant buildings in urban centers to affordable, mix use development or viable commercial space**. As with the startup loan program, DECD would administer tax credit programs. Senate Republicans are proposing to implement this program as a 2-3 year pilot program.

CT EDGE (Economic Development for a Growing Economy) Tax Credits aim to incent investors and developers to pursue projects that may be deemed cost prohibitive. More importantly, a robust tax credit program may help transform once vacant buildings into viable space suitable for affordable housing, mix use development and/or commercial space.

Tax credit programs have been useful throughout various communities in the United States. Indiana, Ohio, Washington, Texas, Nevada, New York, Massachusetts, Georgia and other states have used an assortment of tax credits with considerable, noticeable results. Many state sponsored tax credit programs, whether used for affordable housing or commercial development, can be leveraged with federal tax credit programs to maximize resources and offset costs.

New Market Tax Credits (NMTCs) are offered through the U.S. Treasury Department. Said tax credits are competitive and are administered through Certified Development Entities (CDEs). Several projects in downtown Bridgeport were partially funded using NMTCs. In summary, the Bridgeport projects (The Arcade and Golden Hill Apartments) are mix use developments, cost \$27 million, received \$4.9 million in NMTCs and produced 249 permanent jobs, according New Markets Tax Credit Coalition.

How Does the Program Work?

DECD would approve projects for tax credits only when certain predetermined conditions and requirements are satisfied. The tax credit application and approval process is going to be structured for quick turnaround. Tax credit amounts vary depending on project type (see below).

PROJECT TYPE	TAX CREDIT	YEARS	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7
Affordable Housing¹	30%	Seven (7)	5%	5%	5%	5%	4%	3%	3%
Commercial/Industrial Space²	25%	Five (5)	5%	5%	5%	5%	5%	0%	0%
Mix Use Development³	39%	Seven (7)	5%	5%	5%	5%	5%	0%	0%

¹Square Footage Minimum 10,000

²Square Footage Minimum 50,000

³Square Footage Minimum 35,000

Development projects can be located anywhere in the Targeted Investment Communities (TICs) except Enterprise Zones, where other incentives are available. TICs include:

- | | |
|------------------|-----------------|
| 1. Bridgeport | 10. New Haven |
| 2. Bristol | 11. New London |
| 3. East Hartford | 12. Norwalk |
| 4. Groton | 13. Norwich |
| 5. Hamden | 14. Southington |
| 6. Hartford | 15. Stamford |
| 7. Meriden | 16. Waterbury |
| 8. Middletown | 17. Windham |
| 9. New Britain | |

Job Expansion Tax Credit (JET) Program Extension

In addition to creating CT EDGE Tax Credit Program, Senate Republicans are seeking to extend the **Job Expansion Tax Credit (JET)** Program to **January 1, 2016**. With JET, CT businesses may receive tax credits of \$500.00 per month for each new full-time job created. If the new employee is considered permanently disabled, receiving rehabilitative services from the Bureau of Rehabilitative Services or was honorably discharged from military service, the tax credit is increased to \$900.00 per month. The program expired **January 1, 2014**, which is unfortunate considering the number of veterans facing the daunting task of securing full-time employment.

All proposed tax credit programs are being proposed to spur job growth, economic development and public-private investment in Connecticut's urban communities.

Support for Accessibility: **Streamlining & Aggregating Economic and Development Resources**
(State Website)

To help the public learn about and access resources available to them, the State of Connecticut's official economic development website should be easy and intuitive for business owners, entrepreneurs, developers and site selectors to navigate. Currently, vital information appears scattered with no focal point to curate pertinent economic development information. Information that should be warehoused on a central website includes:

- Key demographics (i.e. largest municipalities, workforce statistics, state-wide industry statistics, economic growth and business statistics, education related statistics, links to Connecticut's 169 towns and municipalities' websites, etc.)

- Essential information regarding state assets, attractions and highlights (Why come to Connecticut?)
- Vital information or links to existing economic development tools and resources.

Ideal state websites include:

- Connecticut <http://www.ct.gov/>
- Massachusetts <http://www.mass.gov/portal/>
- New York <http://www.ny.gov/>
- Virginia <http://www.virginia.gov/>
- Georgia <http://georgia.gov/>
- Minnesota <http://mn.gov/deed/>
- Alabama <http://www.alabama.gov/>
- South Carolina <http://sc.gov/Pages/default.aspx>
- Mississippi <http://www.mississippi.gov/Pages/default.aspx>
- Louisiana <http://louisiana.gov/>
- Tennessee <http://www.tn.gov/>

Notably, Georgia’s economic development website is robust, informative and feature rich (<http://www.georgia.org/>). Georgia is also home to 17 *Fortune 500* companies. Minnesota’s website (<http://mn.gov/deed/>) is also impressive, perhaps one of the more comprehensive sites on the list. It’s also feature rich and easy to navigate. Alabama’s website has a user friendly format and contains many helpful links. There is also a chat feature that allows real-time interaction with a government representative knowledgeable in the subject matter the user is reviewing. Also, a considerable number of Alabama’s licensure and certifications are facilitated online. Lastly, New York is making aggressive, bold moves (<http://www.esd.ny.gov/>). *Start-Up NY* is Governor Cuomo’s initiative to spur innovation and offer start-ups safe harbor.

While Connecticut may design a unique website, the websites provided offer possibilities and demonstrate how a practical, user friendly site can serve as an important entry point, similar to a welcome sign or kiosk.

Support for Juvenile Justice: Sentencing Guidelines and the Miller v. Alabama Decision

The 2015 Senate Republican Caucus plan for progress and opportunity in Connecticut's Cities as it relates to the Judiciary Committee is centered on strengthening and supporting urban communities by concentrating on policy initiatives and proposed legislation promoting reforms to the justice system, including how to comply with recent court decisions dealing with lengthy sentences for juveniles.

The criteria to consider when sentencing juveniles has been detailed by the United States Supreme Court in the *Miller v. Alabama* decision, and recently adopted by our own Supreme Court in the Riley case. Senate Republicans are in agreement with much of the *Sentencing Commission Juvenile Justice* (SCJJ) proposals.

While there were differences between what the Sentencing Commission proposed and what Senate Republicans are comfortable with, the Commission agreed Senate Republicans' proposed changes are fair and reasonable. The SCJJ is going to support said proposals enumerated below.

When the court orders a review of "lengthy" sentences, the Commission decided it would be ten (10) years - but that is total sentence, which can include three or four three-year sentences served concurrently, which adds up to ten (10) or more years but the effective term of the sentence is in fact only serving four years. **Senate Republicans wanted the length of the sentence to be a "true" ten (10) years or longer effective sentence.**

Furthermore, in consideration of future sentences, SCJJ wanted courts to consider all factors in any felony sentences. **Senate Republicans believe it should only be applied to those crimes where a sentence of ten (10) years or longer will be served - so we limit it to Class A and B felonies.** For a 16 year old, serving an eight (8) year sentence, he or she is released from incarceration at age 24, which is not a particular hardship for a violent felon.

Finally, two separate notice provisions were added to Senate Republicans' proposal: First, when the current lengthy sentences served by juvenile offenders are reviewed, victims receive notice and the opportunity to be present to offer their perspective at such a review and secondly, going forward in all criminal cases, Senate Republicans believe victims should be informed upon sentencing or a plea deal the "truth" in that sentence - Not only the maximum but also the absolute minimum time the offender may serve, with risk reduction credits, parole, any reviews under the Miller decision, etc. There should be no surprises when a victim finds out a violent felon they believed was serving 20 years is out in less than eight (8) years.

Support for Second Chances: Modifying the Governor's *Second Chance Society* Proposals

Overall, Senate Republicans are amenable to the Governor's *Second Chance* Proposal. Essentially the proposal focuses on:

- Reclassifying drug offenses to send fewer non-violent individuals to jail
- Eliminating mandatory minimums for non-violent drug possession
- Reforming the parole process
- Streamlining the pardons process to give ex-offenders a greater chance at employment
- Assisting individuals re-entering society and provide opportunities for success

While such steps certainly present forward progress, there are concerns regarding the following areas:

- **Some records should not be wiped clean.** Potential employers should have some indication regarding whether or not a would-be hire committed a crime that would possibly compromise said employee's ability to perform his or her duties.
- **There also needs to be accountability** as it relates to early release, parole and pardons.
- **More needs to be done to stop recidivism.** Senate Republicans have proposed a bill (SB 663) concerning a Judiciary Pilot program that establishes a "gatekeeper" to identify those arrested who might be homeless, veterans, substance addicted or mentally ill, and steer them pre-prosecution into appropriate programs rather than have them enter criminal justice system, which would reduce incarceration levels, help some individuals avoid a criminal record and hopefully give them a reason or the ability to avoid future arrests.

The Governor's proposal also seeks to broaden use of the *I-BEST (Integrated Basic Education and Skills Training)* pilot program, modelled after Washington State's program. The primary issue with I-BEST program is that it **WAS NOT** developed to assist former incarcerated individuals reentering society.

The program was designed as a "bridge" program aimed at older students with GED's or higher, who are already enrolled in community colleges. According to a research paper by Columbia University based *Community College Research Center*, I-BEST's "goal is to increase the rate at which adult basic education and English-as-a-second language students advance to college-level occupational programs and complete postsecondary credentials in fields offering good wages and career advancement." Moreover, the authors of the same study concluded I-BEST based approaches face several challenges including:

- The program is expensive to administer and its sustainability has been questioned. One of the programs primary features consist of having two instructors in the classroom at the same time co-teaching. One instructor is an

English as a second language instructor (ESL) or an Adult Basic Education teacher paired with a professional-technical instructor.

- Integration of basic skills and professional-technical instruction in I-BEST classrooms varies considerably (instructors required training on how to teach as a team).

Although I-BEST may be heralded by some as ideal for implementation in CT, addressing immediate needs of individuals reentering society upon release from incarceration is not the intent of the program nor its pedigree.

New York's Center for Employment Opportunities – A Better Model

Research shows there is a better reentry-focused program, with a solid, well-known track record, to implement in CT that will assist individuals' transition back into society and be better prepared to seek and obtain sustained employment. Current studies show more than 60% of convicted felons are unemployed. And unless programs and resources are committed specifically to addressing reentry and employment, the statistics will only worsen.

New York based ***Center for Employment Opportunities (CEO)*** is one of the more esteemed programs in the country, celebrating 30 years of committed service that focuses on the most at-risk population, young adults ages 18-25. The program is arranged around four (4) primary areas:

1. Life skills education
2. Short-term paid transitional employment
3. Full-time job placement
4. Post-placement services

CEO (<http://ceoworks.org/>) recruits from Parole Boards. They do not engage inmates while incarcerated; however, the organization sends a team of speakers into prisons during orientation when inmates first arrive. Once inmates are released and accepted into the program, they must attend a five day, pre-employment program where they engage in many hands on activities and role playing activities.

After training, clients participate in a period of transitional employment. During transitional employment period, former inmates learn various soft skills, how to establish good work ethics, learn to refine personal presentation and gain an understanding of the importance of showing up every day on time.

According to information provided by State of Connecticut Department of Correction, during a five year study tracking 14,398 males after release, it was found that 79% were re-arrested, 69% were convicted of a new crime and 50% were returned to prison with a new sentence. Multiple studies based on scholarly work have concluded that the number one issue facing newly released inmates, which also contributes to high recidivism rates, is the lack of long-term employment opportunities.

Moreover, it's considerably more expensive to warehouse nonviolent offenders than to rehabilitate them and assist ex-offenders to become productive, gainfully employed citizens. In Connecticut the annual cost associated with an inmate is approximately **\$34,733.00** versus **\$11,921.00** annually, almost a two to one difference in cost, to supervise those on probation and parole.

It's quite evident that targeted intervention focusing on long-term employment is warranted. I-BEST may not be an ideal program to help combat these most unfortunate realities, whereas the Center for Employment Opportunities approach appears a more suitable for adoption in Connecticut.

CEO's program components work synergistically to provide strict and intense engagement of newly released prisoners and channels resources to achieve "rapid job attachment." Support is maintained throughout ex-offenders' first year of permanent employment. Furthermore, to mitigate against regression, a job coach is assigned to each participant to help develop life skills and assist with finding and utilizing resources, especially resources taming drug addiction.

CEO has an arrangement with the State of New York whereby New York agrees to contract out work to CEO. A similar relationship exists in California as well where CEO has operations. Contract work may include landscaping at government facilities, janitorial services at public buildings, particularly court buildings, highway maintenance or various task involving hospitals.

CEO has a \$15 million budget and supports 150 full-time employees not including program participants. Ninety percent (90%) of revenue is a result of transitional employment. According to a study commissioned by the Manhattan Institute, CEO has made more than 17,000 job placements. In an average year, two-thirds of program participants who meet with a job developer are situated in full-time jobs.

After participants are placed in full-time jobs, CEO's Retention Specialists provide ongoing support. Specialists help them stay connected to the labor market by providing work-related counseling, crisis management and help with long-term career planning. CEO has also developed an incentive-based work retention program, *Rapid Rewards*, which provides monthly bonuses to individuals who meet progressive employment retention milestones. Participants who can present their pay stubs to confirm that they were working are eligible for *Rapid Rewards* incentives for one year after placement into full-time employment.

In conclusion, the Center for Employment Opportunities (CEO) programs is far more superior and effective than I-BEST. If the State of Connecticut is going to invest in a reentry program and commit resources, the program selected should be a true, tried and tested platform suitable for achieving desired results, which is increased employment opportunities coupled with a decrease in recidivism rates.

There is currently dialogue between CEO and Senate Republicans about how best to implement the program in CT and determine what legislative actions are required if any.

Center for Employment Opportunities (CEO) Highlights

- Targets individuals reentering society
- Provides practical job training (including resume and interviewing instruction)
- Assigns coaches/mentors
- Provides actual work experience
- Maintains strict monitoring and program adherence
- Generates revenue to sustain operations
- Serves most at-risk population (adults ages 18-25)
- Demonstrates respectable success rates

Conclusion

The goal of the Senate Republican Plan for Progress and Opportunity in Connecticut's Cities is to help create an environment that enables people and jobs to flourish in our cities. Connecticut is facing many challenges regarding economic growth and the availability of opportunities across the state. Urban areas have specific challenges that this plan aims to address.

This proposal is a start that maps a new path to prosperity for Connecticut cities. By supporting the unique needs of small businesses and start-ups, creating an environment that fosters growth, ensuring that people stay informed of the opportunities that do exist, and reforming our justice system we hope to give all people in urban communities the tools they need to succeed and better life in Connecticut for today and for our future.