



Department of Economic and
Community Development

Connecticut
still revolutionary

Catherine H. Smith
Commissioner

October 22, 2013

Benjamin Barnes, Secretary
Office of Policy & Management
450 Capitol Avenue
Hartford, CT 06106

Dear Secretary Barnes,

Attached please find the Department of Economic & Community Development's budget reduction options for FY 2015. While we do not support making additional cuts in an already stretched budget, we understand why this is a necessary analysis to perform. I am available to discuss at any time.

It is understood that strategic cuts are preferable to across the board cuts. That strategy was considered along with the core mission of DECD and it was determined that line items for recipient organizations with similar missions should be reduced consistently. For the approximately 18 tourism related and 11 arts organizations it is thought that in fairness, it is more appropriate to treat them consistently rather than differently. For the more business development oriented organizations, I am comfortable with levels of reduction comparable to the other areas.

A holdback of 1% for PS has not been carried forward to FY15. There have been approximately seven positions that have gone unfilled over the last couple years. With the significant increase in economic development funding and associated volume (new loans to close, process and service as an example) every position is vital. We have performed 8 LEAN events to handle increased volumes, but it's my strong belief that DECD cannot sustain any further staff reductions without considerable disruption to service.

If there are any questions, please contact Joyce Heriot at 860-270-8042.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Smith", written over a horizontal line.

Catherine Smith
Commissioner


cc: Alison Fisher, OPM
Joyce Heriot, DECD
Sharon Keyes, DECD

2015 MIDTERM ADJUSTMENT SUMMARY

ECD46000 - Department of Economic and Community Development
 11000 - General Fund

Priority	Adjustment Title	2015 Base	2015 Adjustment	2015 Revised	2016 Adjustment - Annualized
	REDUCTION				
1.00	Main St Investments	162,450	-8,123	154,327	-8,123
2.00	Military	430,834	-21,542	409,292	-21,542
3.00	Arts/Cultural	9,004,749	-450,239	8,554,510	-450,239
4.00	Tourism	1,593,600	-79,681	1,513,919	-79,681
5.00	Economic Programs	2,520,633	-126,032	2,394,601	-126,032
6.00	Statewide Marketing	12,000,000	-600,000	11,400,000	-600,000
7.00	Capitol Region Development Authority CRDA	6,170,145	-308,507	5,861,638	-308,507
8.00	Other Expenses	586,717	-11,734	574,983	-11,734
	ADJUSTMENT TOTAL	32,469,128	-1,605,858	30,863,270	-1,605,858

Head of Budgeted Agency (Signature)


 Catherine Smith, Commissioner

10/25/13
 Date submitted

Midterm Adjustments to the FY 2015 Budget - Reduction Adjustment

ECD46000 - Department of Economic and Community Development 11000 - General Fund

Main St Investments

Joyce Heriot
860-270-8042

Priority: 1
Creation Date: 10/17/2013

Description and Reason/Measure of Impact

This reduction is being submitted to comply with Secretary Barnes' reduction option directive in his 8/5/13 memo to state agencies.

Funding for Ansonia Nature Center and Westville Village will be reduced.

Financials

Account	2013 Actual	2014 Estimated	2015 Base	2015 Adjustment	2015 Revised	2016 Adjustment - Annualized
12435 - Main Street Initiatives	20,000	162,450	162,450	-8,123	154,327	-8,123
Total	20,000	162,450	162,450	-8,123	154,327	-8,123

Midterm Adjustments to the FY 2015 Budget - Reduction Adjustment

ECD46000 - Department of Economic and Community Development 11000 - General Fund

Military

Joyce Heriot
860-270-8042

Priority: 2
Creation Date: 10/17/2013

Description and Reason/Measure of Impact

This reduction is being submitted to comply with Secretary Barnes' reduction option directive in his 8/5/13 memo to state agencies.

This proposed reduction will have a negative effect on efforts preventing the closure or downsizing of the Naval Submarine Base in Groton and advocating for Connecticut's defense industry to encourage the retention of established defense missions and the relocation of new ones to the state.

Reduction to ARTE

Positions / Financials

	2013 Actual	2014 Estimated	2015 Base	2015 Adjustment	2015 Revised	2016 Adjustment - Annualized
Number of Full Time Positions	1	1	1	0	1	0
SID Code / Title						
12437 - Office of Military Affairs	182,195	430,833	430,834	-21,542	409,292	-21,542
Total	182,195	430,833	430,834	-21,542	409,292	-21,542

Midterm Adjustments to the FY 2015 Budget - Reduction Adjustment

ECD46000 - Department of Economic and Community Development 11000 - General Fund

Arts/Cutural

Joyce Heriot
860-270-8042

Priority: 3
Creation Date: 10/17/2013

Description and Reason/Measure of Impact

This reduction is being submitted to comply with Secretary Barnes' reduction option directive in his 8/5/13 memo to state agencies.

The proposed reduction will impact the operating cash flow of the recipients and may result in deferred maintenance to facilities, increase admission fee, curtailment of services offered, curtailment of hours of operation and/or staffing reductions.

Financials

Account	2013 Actual	2014 Estimated	2015 Base	2015 Adjustment	2015 Revised	2016 Adjustment - Annualized
12412 - Hartford Urban Arts Grant	359,776	359,776	359,776	-17,989	341,787	-17,989
12413 - New Britain Arts Alliance	71,956	71,956	71,956	-3,598	68,358	-3,598
12562 - Neighborhood Music School	0	50,000	50,000	-2,500	47,500	-2,500
16115 - Nutmeg Games	24,000	24,000	24,000	-1,200	22,800	-1,200
16175 - Discovery Museum	359,776	359,776	359,776	-17,989	341,787	-17,989
16188 - National Theatre for the Deaf	143,910	143,910	143,910	-7,196	136,714	-7,196
16197 - CT Trust for Historic Preservation	199,876	199,876	199,876	-9,994	189,882	-9,994
16209 - Connecticut Science Center	599,073	599,073	599,073	-29,954	569,119	-29,954
16219 - Local Theatre Grant	474,996	475,000	475,000	-23,750	451,250	-23,750
16256 - Performing Arts Centers	0	1,439,104	1,439,104	-71,955	1,367,149	-71,955
16257 - Performing Theaters Grant	0	452,857	452,857	-22,643	430,214	-22,643
16258 - Arts Commission	0	1,797,830	1,797,830	-89,892	1,707,938	-89,892
17063 - Greater Hartford Arts Council	89,943	89,943	89,943	-4,497	85,446	-4,497
17065 - Stepping Stones Museum for Children	42,079	42,079	42,079	-2,104	39,975	-2,104
17066 - Maritime Center Authority	504,949	504,949	504,949	-25,247	479,702	-25,247
17070 - Amistad Committee for the Free State	42,079	45,000	45,000	-2,250	42,750	-2,250
17071 - Amistad Vessel	359,776	359,776	359,776	-17,989	341,787	-17,989
17072 - New Haven Festival of Arts and Culture	797,287	757,423	757,423	-37,871	719,552	-37,871
17073 - New Haven Arts Council	89,943	89,943	89,943	-4,497	85,446	-4,497
17075 - Beardsley Zoo	336,632	372,539	372,539	-18,627	353,912	-18,627
17076 - Mystic Aquarium	589,106	589,106	589,106	-29,455	559,651	-29,455
17082 - Twain/Stowe Homes	90,888	90,890	90,890	-4,545	86,345	-4,545
17100 - Cultural Alliance of Fairfield	0	89,943	89,943	-4,497	85,446	-4,497
Total	5,176,045	9,004,749	9,004,749	-450,239	8,554,510	-450,239

Midterm Adjustments to the FY 2015 Budget - Reduction Adjustment

ECD46000 - Department of Economic and Community Development 11000 - General Fund

Tourism

Joyce Heriot
860-270-8042

Priority: 4
Creation Date: 10/17/2013

Description and Reason/Measure of Impact

This reduction is being submitted to comply with Secretary Barnes' reduction option directive in his 8/5/13 memo to state agencies.

The proposed reduction will impact the operating cash flow of the recipients relative to the marketing, advertising and promotion for each district.

Financials

Account	2013 Actual	2014 Estimated	2015 Base	2015 Adjustment	2015 Revised	2016 Adjustment - Annualized
17068 - Tourism Districts	1,435,772	1,435,772	1,435,772	-71,789	1,363,983	-71,789
17077 - Quinebaug Tourism	39,457	39,457	39,457	-1,973	37,484	-1,973
17078 - Northwestern Tourism	39,457	39,457	39,457	-1,973	37,484	-1,973
17079 - Eastern Tourism	39,457	39,457	39,457	-1,973	37,484	-1,973
17080 - Central Tourism	39,457	39,457	39,457	-1,973	37,484	-1,973
Total	1,593,600	1,593,600	1,593,600	-79,681	1,513,919	-79,681

Midterm Adjustments to the FY 2015 Budget - Reduction Adjustment

ECD46000 - Department of Economic and Community Development 11000 - General Fund

Economic Programs

Joyce Heriot
860-270-8042

Priority: 5
Creation Date: 10/17/2013

Description and Reason/Measure of Impact

This reduction is being submitted to comply with Secretary Barnes' reduction option directive in his 8/5/13 memo to state agencies.

These entities will be required to find other resources to fill the shortfall, and review the services being provided to find a more efficient way to provide the services with less funding.

Financials

Account	2013 Actual	2014 Estimated	2015 Base	2015 Adjustment	2015 Revised	2016 Adjustment - Annualized
12363 - Small Business Incubator Progr	0	387,093	387,093	-19,355	367,738	-19,355
12438 - Hydrogen/Fuel Cell Economy	0	175,000	175,000	-8,750	166,250	-8,750
12467 - CCAT-CT Manufacturing Supply	0	732,256	732,256	-36,613	695,643	-36,613
16189 - CONNSTEP	0	588,382	588,382	-29,419	558,963	-29,419
16191 - Development Research and Eco	0	137,902	137,902	-6,895	131,007	-6,895
16255 - Women's Business Center	0	500,000	500,000	-25,000	475,000	-25,000
Total	0	2,520,633	2,520,633	-126,032	2,394,601	-126,032

Midterm Adjustments to the FY 2015 Budget - Reduction Adjustment

ECD46000 - Department of Economic and Community Development 11000 - General Fund

Statewide Marketing

Joyce Heriot
860-270-8042

Priority: 6
Creation Date: 10/17/2013

Description and Reason/Measure of Impact

This reduction is being submitted to comply with Secretary Barnes' reduction option directive in his 8/5/13 memo to state agencies.

This reduction will negatively impact the marketing of CT as a tourism destination and a place to locate and expand businesses. This will most likely result in a reduction of sales, meal and hotel tax revenue.

Financials

Account	2013 Actual	2014 Estimated	2015 Base	2015 Adjustment	2015 Revised	2016 Adjustment - Annualized
12296 - Statewide Marketing	11,611,422	12,000,000	12,000,000	-600,000	11,400,000	-600,000
Total	11,611,422	12,000,000	12,000,000	-600,000	11,400,000	-600,000

Midterm Adjustments to the FY 2015 Budget - Reduction Adjustment

ECD46000 - Department of Economic and Community Development 11000 - General Fund

Capitol Region Development Authority CRDA

Joyce Heriot
860-270-8042

Priority: 7
Creation Date: 10/18/2013

Description and Reason/Measure of Impact

This reduction is being submitted to comply with Secretary Barnes' reduction option directive in his 8/5/13 memo to state agencies.

CRDA will need to reach out to partners, municipal resources, and other entities in the capital region to seek larger contributions.

Financials

Account	2013 Actual	2014 Estimated	2015 Base	2015 Adjustment	2015 Revised	2016 Adjustment - Annualized
12540 - Capitol Region Development Au	5,920,145	6,620,145	6,170,145	-308,507	5,861,638	-308,507
Total	5,920,145	6,620,145	6,170,145	-308,507	5,861,638	-308,507

Midterm Adjustments to the FY 2015 Budget - Reduction Adjustment

ECD46000 - Department of Economic and Community Development 11000 - General Fund

Other Expenses

Joyce Heriot
860-270-8042

Priority: 8
Creation Date: 10/17/2013

Description and Reason/Measure of Impact

This reduction is being submitted to comply with Secretary Barnes' reduction option directive in his 8/5/13 memo to state agencies.

This proposed reduction will have an adverse impact on the administrative operations necessary to effectively carry out the mission of the agency.

Financials

Account	2013 Actual	2014 Estimated	2015 Base	2015 Adjustment	2015 Revised	2016 Adjustment - Annualized
10020 - Other Expenses	1,045,971	579,476	586,717	-11,734	574,983	-11,734
Total	1,045,971	579,476	586,717	-11,734	574,983	-11,734



Catherine H. Smith
Commissioner

October 28, 2013

TO: Ben Barnes

RE: Expansion Options

Below are three expansion options, each of which is focused on producing economic growth.

1. Increase the Statewide Marketing Fund from \$12 million to \$15 million

The Statewide Marketing Fund was funded at a level of \$15 million in FY12, reduced to a level of \$9 million in FY13, and then partially restored to a level of \$12 million in FY14. Fully restoring funding to the \$15 million level will enable a higher level of advertising that will generate greater awareness of CT as a travel location, resulting in greater visits, spending and tax revenues that will more than cover the increased funding. The state's *still revolutionary* brand is an integrated brand that serves for tourism, economic development, talent recruitment, and as the shared identity of the state. Tourism advertising generates immediate revenue that more than covers the cost of the campaign, but also helps to establish the brand for economic development and talent recruitment, increasing outside perception of CT as a place to work and run a business.

Attachment A shows the relationship between spending and results over the past three years, when the creative content was constant. We had the greatest impact at the \$15 million level, lost ground when funding was cut to \$9 million, and recovered somewhat when funding was partially restored to \$12 million.

Attachment B shows results of the state's investment in tourism marketing over the past three years.

2. Create a \$1 million Regional Marketing Fund

For the past three years, we tried unsuccessfully to eliminate the three regional tourism districts. We are now trying to work with the districts collaboratively so that their efforts are aligned with ours such that the \$1.6 million which they receive leverages the impact of the Statewide Marketing Fund. A Regional Marketing Fund, funded initially at the level of \$1 million, would create a financial carrot to accelerate this alignment. The districts would be eligible to receive additional funds, which could be used only for marketing versus staffing, if they commit to work with us to set specific measurable goals for their work, prominently incorporate our brand mark in all of their marketing, and integrate their websites with ours.

3. Provide \$500,000 additional funding for the Small Business Incubator Program / CCAT

Currently the program has companies in the pipeline that are not being served by the current program due to funding availability. Expansion of the program by \$500,000 will impact 15 companies. It will also allow us to support start ups; incubation of companies; and is aligned with the state's innovation policies.

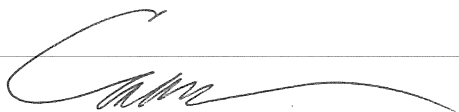
4. Double competitive arts funding for creative placemaking from \$1.8 million to \$3.6 million

If we are serious about using art to support economic development, we need to double the amount of funding we make available for creative placemaking on a competitive basis, from \$1.8 million to \$3.6 million.

The following is the Overview section of our most recent application to the National Endowment for the Arts to secure our federal funding for the next three years:

“The CT economy has a high concentration of large, mature firms and a low concentration of young, fast-growing firms. As a result, CT has high Gross State Product per capita, high productivity, high average household income and a highly-skilled workforce, coupled with slow job growth and extreme income inequality. The population skews older and suffers from net domestic outmigration, which is balanced by high foreign immigration. CT is almost exactly the size of Silicon Valley in square miles and population and Hartford has the largest concentration of patent activity within 100 miles of any city in the country after San Francisco. This is because Hartford includes both Boston and New York in its 100 mile radius, while those two cities are almost 200 miles apart. There is potential for CT to become the next Silicon Valley, serving as the connective tissue between the New York and Boston metros. CT can do this by: 1) exploiting the development of higher speed commuter rail; 2) using its strength in larger, innovative companies to attract new startups; and 3) making its remarkable places magnets for the mobile young talent that fuels the growth of innovative companies. Pivotal in DECD’s strategy to attract creative individuals between the ages of 25 and 35 is leveraging the arts to foster and sustain vibrant communities. The merger of the former Commission on Culture and Tourism into the Department of Economic Development has made the CT Office of the Arts a central player in the third element of this transformative economic strategy. With a new statutory Arts Council composed of both legislative and Governor’s appointees, COA is now well-positioned within state government to aggressive use the arts to make CT places the talent magnets that will accelerate the growth of the next economy.”

Recent trends in state funding for the arts have been moving in the wrong direction. Legislatively directed appropriations for arts organizations increased from \$3.4 million in FY09 to \$4.0 million in FY14. During the same period, competitive arts funding dropped from \$4.1 million to \$1.8 million. The split between competitive grants and line items went from 54.2% and 44.8% in FY09 to 30.9% and 69.1 % in FY14. We are signaling to the arts community that the best way to get funded is through line items, the opposite of what we should be doing. See Attachment C for details.



Catherine Smith
Commissioner



Connecticut still revolutionary Brand & Marketing Update

Rev. 102513

Report compiled by the Connecticut Office of Tourism (COT)
Department of Economic & Community Development

Connecticut's Office of Tourism (COT), a division of the Department of Economic and Community Development (DECD), launched in the spring of 2012 a new state brand identity, *Connecticut still revolutionary*, a strategic marketing initiative designed to build pride among residents and bolster the state's reputation as a business and tourism destination. An integrated marketing effort for business development followed with a launch during the fall of 2012 that continues through 2013.

The brand and marketing efforts are funded through the support of the Governor and Connecticut General Assembly with allocations to the Statewide Tourism Marketing Fund:

FY2012	\$15,000,000
FY2013	9,475,000
TOTAL	\$24,475,000

DECD allocated \$22,284,000 for tourism marketing and \$2,191,000 for business development marketing during the initial two year period.

HIGHLIGHTS

- The branding and marketing effort is estimated to generate \$246 million in tourism spending through the summer of 2013 including \$27 million in anticipated future spending which delivers enough tax revenue to pay for the initial investment;
- Connecticut lodging is improving and outpacing U.S. averages and the New England states combined with revenue increasing 8.8% year to date;
- Fifty three percent (53%) of those who saw the campaign advertising are interested in visiting, claim to have visited or plan to visit Connecticut as a result of seeing the ads.

KEY Connecticut still revolutionary CAMPAIGN RESULTS TO DATE

Since launching the *Connecticut still revolutionary* brand in May 2012:

- The state's award-winning marketing campaign has reached target consumers in our key markets nearly 646 million times with our message;
- CTvisit.com, the state's official tourism website, saw an 158% increase in site visits -- this year the number of visitors through August surpassed the total number of visitors for all of 2012;
- More than 196,000 people have watched the tourism campaign videos on YouTube;
- The state's tourism eNewsletter reaches more than 580,000 opt-in subscribers monthly;
- Connecticut Tourism's Facebook page has grown to a community of more than 185,000 fans, the #1 State Tourism Facebook page in New England;

- COT provided has provided travel assistance to 141% more potential visitors during the peak tourism advertising season since the campaign launched.

UPDATES

Connecticut is aggressively marketing to brand the state after having been out of the marketplace for two years, and before then, a decade of non-competitive budget allocations. Changing perceptions under these conditions is a building process and we are still at the beginning. Data shows indications that we are moving in the right direction:

- 53% of those who saw the campaign advertising are interested in visiting, claim to have visited or plan to visit Connecticut as a result of seeing the ads;
- Most notably, ratings for Connecticut have recently increased in the following areas:
 - 27% and 28% increases in Connecticut seen as “unique / not like other states” and an “engaging place”;
 - 14% and 9% increases in Connecticut seen as “inviting” and “place where anyone is welcome”;
 - 13% increase in Connecticut seen as “A place with lots to do”.

Source: The Harrison Group – Wave VI Quantitative study of more than 1,000 random households who travel, from eight Northeast states. September 2013.

COT has provided travel counseling assistance to 48% more potential visitors during the state’s peak tourism campaign season, May through June, this year than last, and 141% more compared to 2011 prior to the launch of *Connecticut still revolutionary*. Travel assistance includes traditional inquiries, web traffic and counseling in State welcome centers.

COT Travel Assistance May-August

	2011	2012	2013
Tourism Inquiries	73,825	93,584	98,108
Website Welcome Centers	350,339	675,010	1,086,948
Totals	129,410	136,650	148,002
	553,574	905,244	1,333,058

% 2013 vs. 2011	140.81%
% 2013 vs. 2012	47.26%

Source: COT

CTvisit.com activity increased dramatically since the start of the campaign and continues to grow. Year to-date (through August) visitor traffic is up 70% and page views are up 23% over the same time period in 2012.

CTvisit.com	YTD 2012	YTD 2013	% Change
Visitors	896,677	1,523,117	69.86%
Page Views	3,311,151	4,064,051	22.74%

Source: Google Analytics

Seasonal staffing at the State’s welcome centers and the re-opening of the Darien Welcome Center in June after being closed for renovations since March 2012 are starting to rebuild the

number of visitors provided travel counseling by COT. Overall, welcome center visitation is similar to last year's level and is expected to surpass 2012 by end of year.

VISITATION	YTD 2012	YTD 2013	% Change
Major Attractions	1,288,266	1,224,561	-4.95%
Welcome Centers	185,252	182,682	-1.39%

Source: CT Office of Tourism (COT)

Visitation to major attractions is down almost 5% over last year at this time. Two of the major attractions included in the monthly survey report numbers are down as a result of lack of significant special exhibits during 2013. The major attractions tracked include Mystic Seaport, Mystic Aquarium, Mark Twain House, New England Air Museum, Essex Steam Train & Riverboat and the Maritime Aquarium.

Lodging statistics reported by Smith Travel Research (STR) YTD through August show that Connecticut, while still lower than U.S. averages and the New England states combined, is improving and now outpacing those comparison sets. Year-to-date revenue is showing significant increases, up 8.8% based on rooms reported to STR (approximately 75% of the state's inventory).

LODGING REVENUE	YTD	Running 12 Mos.
2013	\$588,475,223	\$879,946,233
2012	\$540,850,186	\$825,789,049
% Change	8.8%	6.6%

LODGING	YTD '13	YTD '12	% Chg
Occupancy Rate			
Connecticut	59.9%	57.0%	5.1
New England	63.1%	61.9%	1.8
U.S.	63.9%	62.9%	1.6
RevPAR			
Connecticut	\$63.83	\$58.77	8.6
New England	\$82.39	\$78.63	4.8
U.S.	\$70.51	\$66.63	5.8

Source: STR report

Job growth in the leisure and hospitality industry sector has consistently outperformed the majority of other industry sectors throughout 2012 with year over year increases. The leisure and hospitality sector includes: arts, entertainment, and recreation; accommodation and food services; and food services, restaurants and drinking places:

- Leisure and hospitality sector not only recovered in 2012, but has been adding jobs beyond its prerecession level, **recovering 200%** of the jobs lost;
- Leisure and hospitality sector was the only major industry sector to experience **faster employment growth in 2012** than in 2011, up 3.9%;
- 8.7% of the state's total nonfarm employment are leisure and hospitality sector jobs.

Source: CT Dept. of Labor, <http://www.ctdol.state.ct.us/lmi/misc/ctdigest.htm>

For further information contact:
 Barbara Cieplak, Marketing Director
 Connecticut Office of Tourism

Department of Economic & Community Development (DECD)
One Constitution Plaza
Hartford, CT 06103
Phone 860-256-2745
Fax 860-270-8077
Email barbara.cieplak@ct.gov
www.CTvisit.com (Connecticut's Official Tourism Website)

Summary Measures:

Awareness and Key Aspects

- The additional boost in spending during summer 2013 has helped CT awareness as a destination remain above pre-campaign levels; ad recall has gone up slightly since November 2012 and has almost reached the levels seen at end of summer 2012.
- Imagery aspects are not statistically different.

Total N'East Sample				
Action Standard	Pre Campaign Level (N=1,123) A	Post I Campaign Level (N=1,066) B	Post II Campaign Level (N=1,138) C	Post III Campaign Level (N=1,167) D

Increased awareness of CT as a place to visit:

Unaided awareness	8%	9%	8%	10%
Aided awareness	54%	64% ↑	59% ↑	60% ↑
Unaided ad recall	3%	12% ↑	7% ↑	9% ↑
Aided ad recall	17%	29% ↑	23% ↑	27% ↑

Awareness remains higher than Pre-Campaign - Spring/Summer 2013 Ad Recall 17% higher than Fall 2012

Steady association with the following brand attributes:

A great place to go for a short getaway	53%	55%	54%	56%
A dynamic, innovative state	24%	29% ↑	25%	27%
A great place to be inspired	24%	24%	24%	27%

Campaign Spend Levels:

\$5.2MM \$1.4MM \$3.4MM

↑ Statistically significant increase vs. Wave I at the 90% confidence level