

CONNECTICUT HAS  
ENORMOUS  
ECONOMIC  
POTENTIAL...



CT2017

BUILD A BRIGHTER ECONOMIC  
FUTURE FOR EVERYONE

...and we need to make

# GOOD POLICY CHOICES

to meet our potential

What can state policymakers do—this year—to unlock Connecticut’s enormous potential?

They can start by putting every legislative proposal under the microscope of whether it will help or hurt Connecticut’s economic competitiveness.

Too many studies place Connecticut poorly in national competitiveness rankings.

We’re making progress but we should be doing much, much better.

The state’s fiscal problems are among our toughest challenges—and solvable by growing our economy, controlling state spending, and making state government as efficient and effective as possible.

Connecticut can and should be one of the best places in the nation to do business.

# PRIORITIES

## THIS YEAR

**STATE SPENDING:** Balance the state's new two-year budget without tax increases and borrowing, while continuing to make state government more efficient and effective

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top 20 state for economic competitiveness by 2017.

CT2017

> BUILD A BRIGHTER ECONOMIC FUTURE FOR EVERYONE

# STATE SPENDING

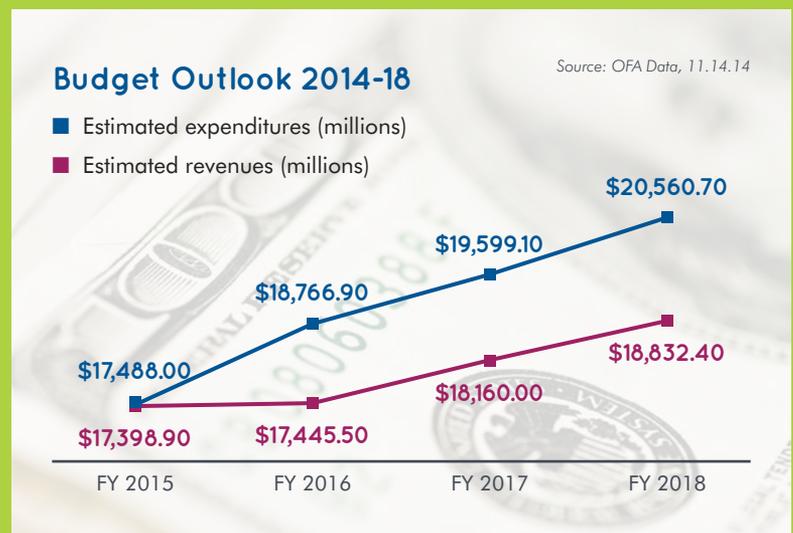
Balance the state's new two-year budget without tax increases and borrowing, while continuing to make state government more efficient and effective

## THIS YEAR

- › **BALANCE** the new two-year state budget without tax increases or borrowing; keep state spending strictly within the state's constitutional spending cap\*
- › **USE** zero-based budgeting throughout state government—that is, start each budget cycle afresh without simply accepting previous spending levels
- › **OPEN** bidding on state services that Connecticut's private sector could perform as well as or better than state government
- › **MANDATE** state agencies to measure the results of state programs that cost more than \$1 million; continue to lean state agencies to make them more effective and efficient
- › **ALIGN** social services programs and systems around the "whole family" concept—create solutions for families not just the individuals in need
- › **ACCELERATE** reforms of elder care by adopting the successful practices of such states as Oregon and Vermont
- › **ACCELERATE** reforms of the corrections system by adopting the successful practices of such states as Ohio, Delaware and Florida

- › **CONTINUE** to use surplus dollars to pay down current long-term unfunded liabilities and increase the state's Rainy Day Fund to 15%

For over 20 years, state spending has outgrown inflation, median household income and population growth in the state. Recently, it is also outpacing growth in state revenues.



\* The state's constitutional spending cap limits the growth of most state spending to the growth in the Consumer Price Index or the five-year average annual increase in personal income, whichever is higher.

# STATE TAXES

Encourage economy-driving investment in Connecticut through a more competitive state tax policy

## THIS YEAR

- › **BALANCE** the new two-year state budget without tax or fee increases
- › **ELIMINATE** the sales tax on professional and business services to make Connecticut competitive with 47 other states for jobs, and business and private-sector investment
- › **ALLOW** companies to apply state tax credits that they have earned, but have not been able to use; this will encourage investments in Connecticut employees and operations
- › **ALLOW** pass-through entities to earn tax credits and apply them against business taxes (other than the personal income tax) in order to develop skilled workers and encourage innovation
- › **APPORTION** income from business services to the location of the customer rather than where the service is performed for all business services in order to remove a disincentive against locating service businesses in Connecticut, and increase Connecticut's revenues by taxing income derived by out-of-state service firms from customers in Connecticut



Source: CBIA and BlumShapiro's 2014 Survey of Connecticut Businesses (percentage is a combination of reduce taxes, cut government spending, and increase tax incentives)

# TRANSPORTATION

Upgrade Connecticut's roads, highways, rails, and bridges by securing the Special Transportation Fund and restricting its use to transportation purposes

## THIS YEAR

- › **SUPPORT** a constitutional amendment to create a lockbox that would restrict use of the Special Transportation Fund to transportation purposes
- › **RELIEVE** traffic congestion by prioritizing highway improvement and expansion—particularly along the I-95 corridor
- › **IMPROVE** the reliability of the Metro North rail system
- › **CONTINUE** to reform DOT to make it a more responsive, effective, and solution-oriented agency capable of transforming Connecticut's transportation infrastructure
- › **REQUIRE** the DOT to prepare and implement an enhanced incident management plan to speed the clearing up of highway vehicle accidents
- › **INCREASE** statewide passenger and freight connectivity to Bradley Airport, and work to expand the number of flights in and out of the state's airports
- › **EXPAND** mass transit options for commuters when economically viable



Source: CBIA's 2013 Connecticut Transportation Survey

# EDUCATION & WORKFORCE TALENT

Ensure that Connecticut's education and workforce development systems can provide employers with the talent needed for today's and tomorrow's workforce

## THIS YEAR

- › **USE** the Manufacturing Innovation Fund and other state programs to open the pipeline of skilled workers; and expand the manufacturing capacity of Connecticut's technical high schools
- › **IDENTIFY** the emerging workforce development needs of the biosciences industry and create a plan to address them
- › **ADOPT** the goals of the Planning Commission for Higher Education to prepare students for successful careers and meet the needs of Connecticut employers
- › **CREATE** an incentive funding program to meet the goals of the planning commission and to make higher education more affordable for more people in Connecticut
- › **FULLY IMPLEMENT** the P20 WIN (Preschool through Twenty and Workforce Information Network) data system to measure the effectiveness of public education in Connecticut and ensure accountability



Source: Georgetown University's Center on Education and the Workforce, "Recovery: Job Growth and Education Requirements Through 2020," June 2013

# GOVERNMENT REGULATION

Unlock more economic activity by making it easier for businesses to cut through red tape and comply with government regulations

## THIS YEAR

- › **IMPLEMENT**, throughout all state agencies, the regulatory reforms called for in the Governor's Executive Order 37 requiring certain practices and procedures to be followed when developing future regulations
- › **REQUIRE** that all state agency policies, guidance documents, regulations, and statutory/regulatory interpretations be published and searchable on state agency websites along with a specific reference to their legal basis
- › **INCLUDE** a plain-language description with every proposed regulation that summarizes the proposal and explains how it differs from related federal regulations
- › **DEVELOP** an expedited process for agencies to incorporate noncontroversial changes to federal regulations into relevant state regulations



### Top Two Regulatory Compliance Challenges for Businesses

1

**INCONSISTENT**  
interpretations of  
compliance requirements

2

**LACK OF CONSISTENCY**  
between state and  
federal requirements

Source: 2014 membership survey, CBIAs Environmental Policies Council (EPC)

# ENERGY & TECHNOLOGY

Reduce extraneous energy costs and increase access to diverse energy sources

## THIS YEAR

- › **CONDUCT** a thorough audit of all fees, taxes, surcharges, and other costs impacting customer bills; determine how they impact Connecticut's overall energy costs and compare with neighboring states'
- › **AGGRESSIVELY PURSUE** multi-state regional agreements to expand the natural gas and electric transmission infrastructures to alleviate the constraints significantly driving up costs in New England
- › **ADJUST** procurement policies and practices to encourage strategic, long-term and market-based supply contracts with a diverse portfolio of fuel sources that include gas, nuclear, large-scale hydroelectric, and other cost-effective renewables
- › **WORK** closely with DEEP and PURA to make sure the upcoming Integrated Resource Plan (IRP) strongly focuses on the cost implications of various policy options
- › **ENCOURAGE** a diverse portfolio of fuels for transportation and space and process heating to include oil and propane
- › **CONTINUE** promoting rules that foster a robust deregulated market in order to encourage competition and innovation
- › **PROMOTE** policies that encourage greater private-sector investment in broadband networks and avoid government overreach



Adding pipeline capacity in New England could provide total annual savings of over

**\$2 billion**  
to the region\*

\* Assessing Natural Gas Supply Options for New England and their Impacts on Natural Gas and Electricity Prices, Feb. 7, 2014 (prepared by Competitive Energy Services for the Industrial Energy Consumer Group)

# LABOR & EMPLOYMENT

Reject any new mandates or proposals that would increase workplace costs and stifle job creation

## THIS YEAR

- › **REJECT** any new mandates—such as paid family and medical leave—that will increase workplace costs and discourage job creation
- › **KEEP** Connecticut regulations consistent and uniform with federal requirements to reduce paperwork on small businesses
- › **STOP** unemployment costs from rising by:
  - **REJECTING** efforts to increase state unemployment taxes
  - **REQUIRING** a one-week waiting period for benefits similar to that required in 41 other states
  - **INCREASING** the minimum earnings needed to qualify for benefits
  - **REQUIRING** claimants to post their resumes online as a condition to receiving benefits
- **BASING** benefits on an employee's four quarters of earnings to avoid unfairly rewarding seasonal workers
- **FREEZING** the maximum weekly benefit rate for three years
- › **CONTROL** rising workers' compensation costs by:
  - **REQUIRING** an injured employee to notify a designated person within a business in order to improve the process and the employee's care
  - **REJECTING** efforts to expand types of compensable injuries, including mental injuries without a corresponding physical injury, to avoid the potential for benefit fraud and abuse
- **OPPOSING** changes to the workers' compensation timelines so businesses can ensure injured employees get the most appropriate and cost effective treatments
- › **REQUIRE** the state's nonpartisan budget office to indicate whether each committee or raised bill will have a financial impact on businesses (similar to the requirement for all regulatory proposals) to prevent the enactment of laws that inhibit the competitiveness of businesses in the state



Source: CNBC's America's Top States for Business 2014

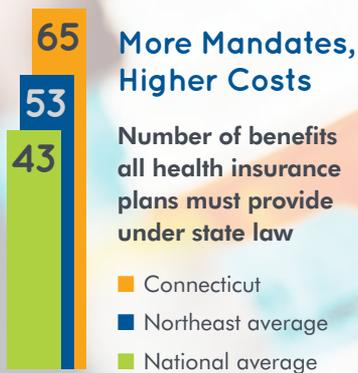
# HEALTHCARE

Reduce the cost of healthcare in Connecticut while also improving its value and quality

## THIS YEAR

- › **REPEAL** the State Innovation Model (SIM) tax and avoid new taxes and fees that can't pass cost-benefit tests to stem the rising cost of healthcare
- › **REQUIRE** a cost-benefit analysis for every proposed health benefit mandate and vetting by lawmakers prior to any vote to ensure the consequences of new mandates are clear
- › **ELIMINATE** current mandates that don't pass a cost-benefit review and build from the Insurance and Real Estate Committee's letter to the Department of Insurance requesting a review of existing mandates to address cost
- › **SUPPORT** value-based healthcare initiatives such as aspects of the State Innovation Model (SIM) that promote better healthcare
- › **ENSURE** all participants—public and private health insurance exchanges, health plans, and other benefit providers—compete on a level playing field
- › **EXPAND** information and outreach efforts using public and private organizations to help consumers make better decisions about their healthcare
- › **CONTINUE** to reduce cost-shifting to the private sector by ensuring doctors and hospitals are appropriately reimbursed for services provided for Medicaid patients

### One Example of Connecticut's High-Cost Framework



Source: Council for Affordable Health Insurance, "Health Insurance Mandates in the States"

# WHAT DRIVES CONNECTICUT'S ECONOMY?

We can  
do better  
—and the  
fastest way  
is to build on  
Connecticut's  
core strengths.

Over 200 years of innovation, productivity, and a wide diversity of industries have made Connecticut home of the highest per capita income and median family income in the US.

Birthplace of American manufacturing and a land of enterprise since Eli Whitney, Connecticut offers an extraordinary quality of life despite our small size, small population, and limited natural resources.

## CORE STRENGTHS

Powerful core strengths such as manufacturing (including aerospace and defense), financial services, small businesses, and research and development—including the

growing biosciences sector—drive our economy.

High-value-added, economic-multiplying industries, and strong exports (domestic and international) are the lifeblood of Connecticut's economy and quality of life.

But the Great Recession and repeated state fiscal crises have weighed heavily on our core industries and economic competitiveness.

A slow and steady recovery is now giving us the potential to grow again.

What state policymakers do this year will directly impact the ability of our core strengths to once again drive jobs, our state's economy, and prosperity.

# DRIVING OUR ECONOMY

## MANUFACTURING

- › 4,473 manufacturing companies
- › 166,000 employees
- › \$13.3 billion in wages
- › \$89,316 average compensation
- › Each manufacturing job creates 1.5 to 4 additional jobs in other parts of our economy
- › 11% of gross state product

## R&D/BIOSCIENCES/TECHNOLOGY

- › Connecticut is 5th in U.S. for per capita bioscience R&D expenditures
- › Bioscience Connecticut will provide an average of 3,000 construction jobs annually from 2012–2018
- › Generate \$4.6 billion increase in personal income and 16,400 permanent jobs by 2037

## EXPORTS

- › More than 6,000 Connecticut companies export (and 89% of them are small and midsize businesses)
- › Connecticut had a record \$16.47 billion in exports (2013)
- › An increase from \$8 billion in 2003
- › Connecticut was named 8th in U.S. in export intensity

## SMALL BUSINESSES

- › 69,472 Connecticut small businesses with employees
- › 710,034 workers employed by small businesses
- › 97% of all employers in Connecticut
- › 49% of state's private-sector workforce employed in small businesses (2011)

## FIRE (FINANCE, INSURANCE & REAL ESTATE)

- › Nearly 200,000 employees
- › \$18.8 billion in wages
- › Represents 31% of gross state product
- › Each job creates 1.46 additional jobs in Connecticut
- › 27% in FIRE are small businesses

## SERVICES

Administrative, retail, professional, healthcare, information, tourism, educational, leisure, and other services employ hundreds of thousands of people in Connecticut, supporting every aspect of the state's economy. They also represent some of the fastest-growing employment segments in the state.

## CONSTRUCTION

Latest state report shows 57,000 construction jobs in Connecticut with an annual growth rate of 3.1%—double the growth rate of all jobs in the state.

## HEADQUARTERS COMPANIES

More than 40 of America's top HQ companies—including 14 on the Fortune 500 list—call Connecticut home. We also host about 1,000 U.S. subsidiaries of foreign-owned firms.







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