



**CBIA**

CONNECTICUT  
BUSINESS & INDUSTRY  
ASSOCIATION

# **Securing Connecticut's Economic Future**

**CBIA's 2009 Government Affairs Agenda**

## Crisis and opportunity



We are facing one of the most serious fiscal crises in many years. In Connecticut and throughout the nation, jobs are being lost, and the economy is in recession.

Deep state budget deficits and shrinking state tax revenues will make decision-making in the 2009 General Assembly very difficult.

While the outlook is daunting, history shows that adversity often brings opportunity. The urgency of the crisis should motivate lawmakers to make state government as efficient and cost-effective as possible. As President-elect Obama said about the federal budget: "We ... have to shed the spending we don't need, ... [and build] a smarter government that focuses on what works."

History offers another lesson: We cannot afford to revisit the mistakes of the late 1980s and early '90s, when state government increased business taxes and other costs in an attempt to solve a budget crisis. Only after the state lost more than 150,000 jobs did lawmakers change tactics — igniting an economic recovery by reducing business costs.

Restoring fiscal responsibility in state government will help rebuild confidence and begin to secure our economic future, as will improving core areas, such as education and transportation, which will give our economy a solid footing.

Ultimately, jobs are the best form of economic recovery. Lawmakers should do whatever they can to promote a climate in which job creation can flourish again. This will give Connecticut its best prospects for a quicker recovery and a tremendous start on the future.

This is the Connecticut business community's agenda for keeping our economy strong and prepared for future growth.

John R. Rathgeber  
President & CEO

# PRIIO

## State fiscal policy

Explore every possibility to reduce state spending, in order to avoid tax increases that would harm our economic recovery.

- **Thoroughly analyze the effectiveness** of all state agencies and programs, with particular focus on major cost drivers in the state budget, such as health care and corrections. Use lean techniques, best practices and performance-based budgeting to achieve improvements and cost reductions in state agencies.
- **Eliminate areas of state spending** that are outdated, poorly functioning, or can be better accomplished by the private sector.
- **Encourage municipalities to work together** to deliver high-quality regional services in a more cost-effective way.
- **Invite state employee unions to be part of the solution** by negotiating to reduce health care and pension costs, as unions in other states are doing to help solve budget shortfalls.

**Avoid any tax increases that would discourage investment and hurt economic recovery.**

# PRIORITIES

## **Health care**

Improve health care in Connecticut by enhancing our employer-based system and encouraging healthier lifestyles through reforms that will boost quality, reduce costs and thus increase access to health insurance.

## **Education**

Help provide Connecticut's economy with a highly skilled workforce by adopting the Connecticut State Board of Education's proposals for secondary school reform.

## **Labor**

Avoid any business-cost increases; allow employers the flexibility to design and implement workplace policies and procedures that best meet their employees' needs and competitive business demands.

## **Economic development & Transportation**

Revitalize Connecticut's economy by expediting regulatory processes for transportation, energy, affordable housing, public works and other projects.

## Fiscal Policy: State Spending and Taxes



Some of the most challenging fiscal policy decisions in years await the 2009 General Assembly. The Rell administration and the legislature must devise a spending and tax plan that can both meet critical needs of the state and position Connecticut for economic recovery.

In this economic crisis, budget reform is imperative. State government must respond by cutting the size of the bureaucracy and changing the way it delivers services. We cannot spend or borrow what we can't afford, and we can't continue to fund that which we don't need or which can be provided more effectively.

State government can be improved through a focus on performance and an insistence that tax dollars are spent appropriately. We must take aggressive steps to cut waste: using efficiency measures, eliminating outdated or poorly functioning programs, and adopting best-management practices. Goals and outcome measures should be clear and definable, and the state should implement performance benchmarking and innovative uses of technology.

Lawmakers must avoid tax policies that would stall recovery or hurt the state's competitiveness. We

made those mistakes in the recession of the late 1980s and early 1990s, and it cost the state more than 150,000 jobs.

Some state tax policies need to be addressed as soon as fiscally responsible if we are to reach our potential in economic investment and job creation.

Unfortunately, the state has short-term and long-term fiscal problems. Connecticut's mountain of unfunded liabilities dwarfs the troubling budget deficits this year and in the next biennium. Major cost drivers, particularly in health care, must be addressed. Improving the quality and value of health care for taxpayers' dollars will help contain costs. In addition, the administration and state unions should negotiate savings in state employee health care and pension costs.

### CBIA RECOMMENDATIONS

#### State spending

■ **Explore every possibility to reduce state spending, in order to avoid tax increases that would harm our economic recovery.**

- Thoroughly analyze the effectiveness of all state agencies and programs; particularly focus on major cost drivers in the state budget, such as health care and corrections. Use lean techniques, best practices and performance-based budgeting to achieve improvements and cost-reductions in state agencies.
- Eliminate areas of state spending that are outdated, poorly functioning, or can be better

Connecticut's mountain of unfunded liabilities dwarfs the troubling budget deficits this year and in the next biennium.

accomplished by the private sector.

- Encourage municipalities to work together to deliver high-quality regional services in a more cost-effective way.
- Invite state employee unions to be part of the solution by negotiating to reduce health care and pension costs, as unions in other states are doing to help solve budget shortfalls.

■ **Determine the long-term impact of state and municipal unfunded liabilities for public-employee retirement costs, including health care benefits, and create a plan to reduce those liabilities.** The plan should be reviewed every two years and modified as needed.

■ **Plan for future cutbacks in federal aid resulting from the national budget deficit and greater obligations for Social Security, Medicare and Medicaid.**

## State taxes

■ **Most important, the legislature must avoid any tax increases that would discourage investment and hurt economic recovery.**

■ **Reverse the erosion of taxpayers' privacy and administrative and judicial rights and remedies, such as by:**

- Returning the standard of proof to a "preponderance of the evidence" in tax cases where there is no allegation of fraud.
- Clarifying the application of the "intent to evade" provisions of Title XII.

■ **Help Connecticut's manufacturing industry by modernizing and rationalizing manufacturing sales tax exemptions.**

CBIA recognizes that the state's current fiscal condi-

tion may rule out consideration of the following recommendations during the 2009 legislative session, but we believe they are essential to Connecticut's long-term economic competitiveness:

■ **Encourage business investment in technology, innovation and productivity by**

- Eliminating the 70% cap on corporate income tax credits.
- Accelerating the phaseout of the personal property tax on manufacturing machinery and equipment.
- Allowing all business entities to claim and/or pass through tax credits.

■ **Help Connecticut businesses train their employees and improve their operations by repealing the sales tax on business analysis and management services.**

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## Health Care

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Improving health care in Connecticut must be achieved in a way that meets people's needs and helps the state's economy recover and grow. The best way to do that is to make our employer-sponsored health insurance system, with its public "safety net," the model for the nation. Making the best use of our resources to promote quality and value, reduce costs, and increase access to coverage will enable us to accomplish this goal.

Better health care means making private insurance more affordable and accessible — not handing over the management and control of health care to state government under single-payer or pooling schemes with their more expensive benefits.

Public and private sectors must work together to improve our health care system, mindful of our precarious economy. Without a healthy economy and the good jobs and benefits it brings, meeting Connecticut's health care needs will be impossible.

## CBIA RECOMMENDATIONS

### ■ Enhance quality

- Use value-based health plan designs — those that incorporate evidence-based medical practices and outcome measures — in order to give people better care and keep them healthier and more productive.
- Work with the private sector to ensure a “medical home” for all Connecticut residents, which will encourage greater care coordination among providers, improve the quality of medical care, reduce errors, and provide better chronic-disease management.
- Create public-private partnerships to improve people's health status through wellness and chronic-disease management programs.
- Make health care information more accessible to consumers and make the overall system more efficient by promoting greater use of technology in data collection, transparency, electronic medical records and e-prescribing.
- Adopt pay-for-performance programs to increase patients' safety and quality of care.

### ■ Reduce costs

- Encourage small employers to use wellness and disease-management programs by exempting them from the state's insurance premium tax if they offer and maintain those programs. Educate small employers and the public about the importance of healthy lifestyles and wellness programs.
- Enable employers to purchase health care plans that are appropriate for them and their employees, in particular by not burdening small businesses with expensive new health benefit mandates.
- Make private insurance more affordable by increasing Medicaid reimbursement rates and eliminating cost-shifts to the private sector.

### ■ Increase access

In addition to the above reforms, which will increase access to private-sector health insurance by making it more affordable, the following will also help increase access:

- Raise Medicaid reimbursement rates, which will encourage more health care providers to participate in public programs.
- Increase outreach efforts for HUSKY and other public health care programs.
- Expand the use of community- and school-based health centers, to provide better care to more patients and improve access to providers.

Make health care information more accessible to consumers and make the overall system more efficient by promoting greater use of technology in data collection, transparency, electronic medical records and e-prescribing.

## Education and Job Training



Connecticut's economy needs a highly skilled workforce — people who will enable businesses to compete in an increasingly knowledge-based, technological, and global economy. Young people need the skills to succeed in higher education or in the workforce. Achieving these goals means Connecticut must reform its high schools (including technical high schools) in a fiscally responsible way. Also, investments in all levels of education are essential, including providing low-income parents with access to quality early childhood education for their children.

The fiscal crisis will delay full implementation of the reforms now. But we can take the first steps by reallocating, redistributing, or reprogramming funds wherever possible. Above all, lawmakers must make the commitment to high school reform and adopt its structure now, in order to position the state to implement the changes as soon as is practical. The state must also reaffirm its commitment to early childhood education, to build on the gains we have made over the last several years in preparing children for school.

### CBIA RECOMMENDATIONS

#### ■ Adopt the Connecticut State Board of Education's proposals for secondary school reform.

- Increase high school graduation rates and close the achievement gap in Connecticut by strengthening academic requirements and incorporating 21<sup>st</sup>-century skills into the curriculum.

- Provide teachers with professional development opportunities and students with additional help outside of the classroom to ensure students' success.
- Make sure that assessment and accountability measures support these goals.

#### ■ Shift resources into customized job training programs for new and incumbent workers in companies that offer employment opportunities.

- Increase workers' employability skills so that they meet industry requirements and have access to higher-paying jobs.

## Labor and Employment



Creating and keeping jobs in Connecticut must be a top public policy goal. Now more than ever, lawmakers need to do whatever they can to foster a pro-jobs, pro-growth climate in Connecticut. Employers and organized labor should work together to find general areas of agreement that will help make the state a more attractive place for business.

Businesses simply won't grow if their costs are driven up by the legislature. Last year, the legislature considered several proposals that would have led to major increases in labor and workplace costs. Many were nearly approved; fortunately, however, all of these damaging proposals ultimately failed.

Even when harmful proposals are ultimately rejected, the fact that the legislature considers them damages the state's business climate. CBIA will continue working with legislators to help them understand how their

proposals will affect employers' ability to operate successfully and drive Connecticut's economic recovery.

Lawmakers should allow employers the flexibility to design and implement workplace policies and procedures that best meet business demands and their employees' needs.

### CBIA RECOMMENDATIONS

■ **Allow employers to keep meeting the needs of their employees and manage their workplaces in the most effective ways.**

- Refrain from mandating minimum amounts of paid time off from work and other employer-sponsored fringe benefits without regard to company policies, business demands or industry norms.
- Avoid creating a new category of workplace harassment (for acts of "bullying" in the workplace) and avoid making employers liable for certain interactions between coworkers.

■ **Maintain reforms of Connecticut's workers' compensation system that made the system fairer, more effective and less costly while still granting generous benefits.** Do not approve any measures that would increase costs or administrative burdens.

■ **Allow employers to inform their employees about all issues that affect their jobs, the workplace and employee benefits.**

## Transportation



A healthy economy must be able to move people, products and services easily and cost-effectively. Connecticut continues to face enormous transportation challenges and the demands of supporting a 21<sup>st</sup>-century economy. We need a strategic state vision and a fiscal plan for modernizing our transportation system in a way that ensures safety and future economic prosperity.

### CBIA RECOMMENDATIONS:

■ **Work with the Transportation Strategy Board (TSB) to establish a strategic plan** for the state's transportation system based on public safety and long-term economic prosperity and develop recommendations for financing its implementation.

■ **Continue working with the Department of Transportation to establish an efficient, coordinated structure and process** for implementing the TSB's strategic plan for modernizing our infrastructure.

■ **Expedite the regulatory processes for major transportation projects** to improve our infrastructure and stimulate the economy.

A healthy economy must be able to move people, products and services easily and cost-effectively. Connecticut continues to face enormous transportation challenges.

## Energy



Connecticut's energy costs are among the highest in the United States — a fact that weakens the long-term health of our economy and our ability to keep businesses competitive. Connecticut needs a statewide energy policy that will provide affordable, sufficient and reliable power for all consumers in the state.

### CBIA RECOMMENDATIONS

- **Expand and improve interstate transmission lines** and natural gas pipeline capacity.
- **Encourage more development** of electric generation capacity in Connecticut.
- **Expedite the regulatory processes** for any upgrades to our energy infrastructure.
- **Preserve the integrity** of the Energy Efficiency Fund and the Clean Energy Fund and ensure that they provide effective energy efficiency and renewable energy programs.
- **Consider classifying** existing large hydro and nuclear energy as Class I Renewable Energy sources.
- **Require an energy-cost impact statement** on all legislation affecting energy.
- **Improve Connecticut's integrated resource planning process**, which addresses Connecticut's short- and long-term energy needs, by creating a new plan every two years.
- **Repeal the moratorium** on the construction of nuclear power facilities.

- **Encourage competition** in the telecommunications industry and stimulate investment in our state's high-technology infrastructure by equalizing regulations among competing providers.

## Environment and Land Use



The best way to protect Connecticut's environment and help our economy grow is through a state regulatory climate that is reasonable and consistent with federal standards. Accomplishing that means increasing the efficiency of the Department of Environmental Protection and making the agency easier to do business with. The state should focus its resources on helping businesses comply with a vast array of complex environmental regulations. This will improve Connecticut's climate for economic development.

### CBIA RECOMMENDATIONS

- **Revitalize Connecticut's economy by expediting the regulatory processes** for transportation, energy, affordable housing, public works and other projects.
- **Gain a full understanding of the economic impact of proposed regulations** before those regulations are adopted — by requiring the state to study and report on how the proposals could affect job retention and growth in Connecticut.
- **Make Connecticut law concerning regulatory flexibility analyses consistent** with the federal definition of "small business" and require the completion of the analyses and documentation of the results according to state law.

- **Increase environmental compliance** by creating a more efficient and effective compliance assistance program based on the Connecticut Office of Safety and Health Administration's (Conn-OSHA) consulting program. Focus punitive enforcement measures on intentional and repeat offenders.
- **Open public discussion on environmental issues** by requiring the DEP to hold public hearings before committing to any agreements with another state, similar to the process used in adopting state regulations.
- **Reform environmental liability** by creating an advisory group that will recommend to the legislature ways to reform liability laws in order to encourage investment in cleaning up brownfields and other contaminated properties in Connecticut.
- **Adopt regulatory standards** that are clear, reasonable and consistent with federal requirements for the reporting of spills, remediation of contaminated property and management of stormwater associated with industrial and construction activities.

## Economic Development

This entire Government Affairs Agenda is a blueprint for how Connecticut's economy can flourish again and sustain growth well beyond our immediate crisis. It describes how to create a healthier business climate in which employers can be more competitive and operate more effectively — driving our economy with more jobs, more investment in the state and greater opportunities for the people of Connecticut.

While state government can help create this healthy business climate, it should not try to compete with it. Attempts to inject state government into the markets for

energy, health care and financial planning will not encourage real economic growth but will in fact hinder it.

Every aspect of public policy should demonstrate that Connecticut wants businesses to invest and grow here. We also need a strategic vision for economic development that will guide us along the way and make long-term success a reality. Progress should be continuously benchmarked. Jobs and economic stability and a better future will follow if we can make it easier for businesses to grow and stay in Connecticut.

### CBIA RECOMMENDATIONS

- **Revitalize Connecticut's economy** by expediting the regulatory processes for transportation, energy, affordable housing, public works and other projects.
- **Create a dynamic strategic plan** that aligns state and local governments around specific economic development goals and that encourages public and private partnerships to stimulate economic development.
- **Make Connecticut's business costs, currently among the highest in the nation, more competitive.**
- **Develop a skilled workforce** to meet the challenges of a knowledge-based, technology-reliant world economy.
- **Provide dependable infrastructures** for power, transportation and telecommunications to support 21<sup>st</sup>-century demands.
- **Promote better cooperation and communication** among state agencies and local and state governments.
- **Increase the supply of affordable housing for workers** by reducing regulatory barriers and supporting programs that enable people entering the workforce to live in Connecticut.

# Who to Call

For information about specific issues or background on your legislators, call 860-244-1900.

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Because the General Assembly works on many issues that impact business and Connecticut's economy, employers and lawmakers need to keep the channels of dialogue open. Here's how CBIA helps lawmakers and employers stay connected:

**Government Affairs Report**  
Weekly Capitol updates with a business perspective

**Legislative Breakfast Meetings**  
Informal get-togethers throughout the state

**Adopt-a-Legislator**  
Employers as 'eyes and ears' of the business community

**Connecticut Business Day**  
The most important pro-business event of the year at the Capitol

**Legislative E-Alerts/Action Center**  
For quick responses to key issues

**CBIA.com/Gov**  
Businesses' home on the Web

**Contact us**  
CBIA staff is ready to help with any questions or activities.

These members of the Government Affairs team are responsible for business and legislative outreach and grassroots lobbying, including facilitating business meetings with legislators and public officials, and communicating and collaborating with other business groups at the state and federal levels.

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