



**CBIA's 2013  
Government Affairs Program**

# **A STRONGER, MORE COMPETITIVE CONNECTICUT**



**CBIA**

10,000 Businesses  
Working for a Competitive  
Connecticut



**CBIA's 2013  
Government Affairs Agenda**

# **A STRONGER, MORE COMPETITIVE CONNECTICUT**



Only by **restoring** Connecticut's

**competitiveness**

can good jobs be created

and sustained.”

# PRIORITIES FOR 2013



## **A Sustainable State Government**

A streamlined, affordable, and efficient state government and equitable state tax policies will boost business confidence, job creation, and Connecticut's economic performance.



## **More Competitive Business Costs**

Employers need the costs and conditions that will allow them to keep offering the high wages and benefits that raise the standard of living and provide a good quality of life for all state residents.



## **A Stronger Connecticut**

Connecticut's greatest assets—its skilled workers, core industries, and advanced manufacturing—need a high-performing education system, modern infrastructures, and an environment that promotes innovation.

# A STRONGER, MORE COMPETITIVE CONNECTICUT



**CBIA's  
Government**

**Affairs Agenda  
for 2013 shows  
how we can  
build a stronger,  
more competitive  
Connecticut.  
It starts with  
actions that give  
employers the  
clear, confident  
indication that  
the time is right  
to create more  
jobs and increase  
investments in  
the state.**

**F**ive years after the recession began—and two years since it technically ended—Connecticut continues to face serious economic and fiscal challenges.

The state's unemployment rate—good or bad—is often seen as the single indicator of the success or failure of the state's economy.

Though unemployment is a very important measure, issues lie much deeper.

Only by restoring Connecticut's competitiveness can good jobs be created and sustained. Our challenge is to build a stronger, more competitive Connecticut where:

- ▶ Small businesses, manufacturers, and large corporations are all able to succeed in regional, national, and global economies.
- ▶ Employers can offer and sustain the high wages and benefits that raise the standard of living and provide a dependably good quality of life for all residents in the state.

- ▶ A high-performing education system, modern infrastructures, equitable tax and regulatory policies, and a streamlined and efficient state government boost business confidence and economic performance.
- ▶ Our greatest strengths—such as skilled workers, core industries, and advanced manufacturing—are made stronger, and innovators are encouraged to grow new businesses, products, and services.

Connecticut has only scratched the surface when it comes to supporting economic growth and a rising standard of living for all residents.

Failing to create this more competitive Connecticut will consign the state to a future of low-cost, less productive industries with declining wages and benefits.



# A SUSTAINABLE STATE GOVERNMENT

## STRONGER, MORE COMPETITIVE IS:



Where a streamlined, affordable and efficient state government, and equitable tax policies boost business confidence and economic performance.

## STATE SPENDING

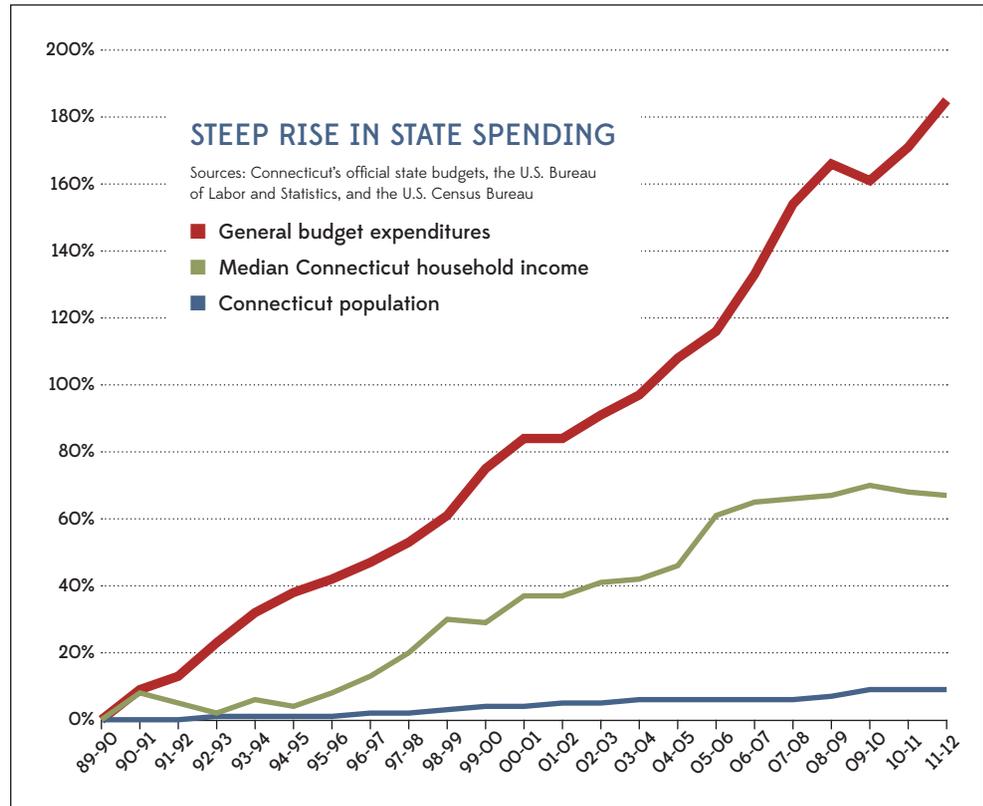
**GOAL:** MAKE STATE GOVERNMENT MORE EFFICIENT, EFFECTIVE, AND AFFORDABLE

Policymakers can inspire greater job-creating confidence among Connecticut employers by exercising greater fiscal discipline and addressing the state's short- and long-term challenges. It's critically important to truly reduce state spending, accurately budget and forecast for entitlement programs, and make

state government leaner and more effective. Some streamlining efforts have been made but have not progressed far nor fast enough. Accelerating proven, practical reforms—proposed by the Connecticut Institute for the 21st Century and others—will enable lawmakers to control spending, avoid crippling tax increases, improve the delivery of services, and increase business confidence.

## Budget responsibly

- ▶ **Create** a new, two-year state budget that:
  - » Reduces the size and cost of state government while improving its effectiveness
  - » Balances without any new taxes or fee increases that would harm economic recovery and job creation
  - » Adheres to the constitutional spending cap
  - » Holds to the phased-in implementation of Generally Accepted Accounting Principles (GAAP)
- ▶ **Eliminate** mandates and other statutory provisions and regulations that drive up the costs of municipal services.
- ▶ **Continue** to encourage municipalities to work together to deliver public services more efficiently and reduce the need for property tax increases.



## Streamline state government

- ▶ **By the end of 2016, implement** reforms recommended by the Connecticut Institute for the 21st Century and best practices from other states to reduce spending and improve the quality and effectiveness of state programs and services:
  - » Achieve a 75% community-based/25% institutional-based rebalancing of long-term healthcare in order to save significant tax dollars and provide the kinds of services people want
  - » Reduce by 50% the rate of recidivism among Connecticut's prisoners through the expanded use of quality nonprofit, character-based programs and best practices of other states
  - » Require every major state program and agency to adopt performance-based systems (such as results-based accountability and zero-based budgeting) that measure and compel effectiveness as a prerequisite for continued funding
- » Adopt the use of lean and other efficiency strategies in every major aspect of state government
- » Negotiate to further modify state employee retiree healthcare and pension benefits and bring them in line with what state taxpayers can afford
- » Upgrade the state's information technology system to create real-time sharing of information across agencies and better coordination of state services
- » Promote and expedite the expansion of shared municipal services

## STATE TAXES

### **GOAL: MAKE STATE TAX POLICY SIMPLER, FAIRER, AND MORE STRATEGIC TO HELP DRIVE OUR ECONOMY**

Consistency, clarity, and fairness in state tax policy are both achievable and critically important goals. Policymakers can unlock much-needed business investment and job growth by implementing certain reforms of the Governor's Business Tax Policy Task Force. Doing so will help create a more predictable, fairer tax environment and a more competitive Connecticut economy.

- ▶ **Promote** tax policy that encourages business investment, jobs, innovation, and productivity:

### Short-term goals

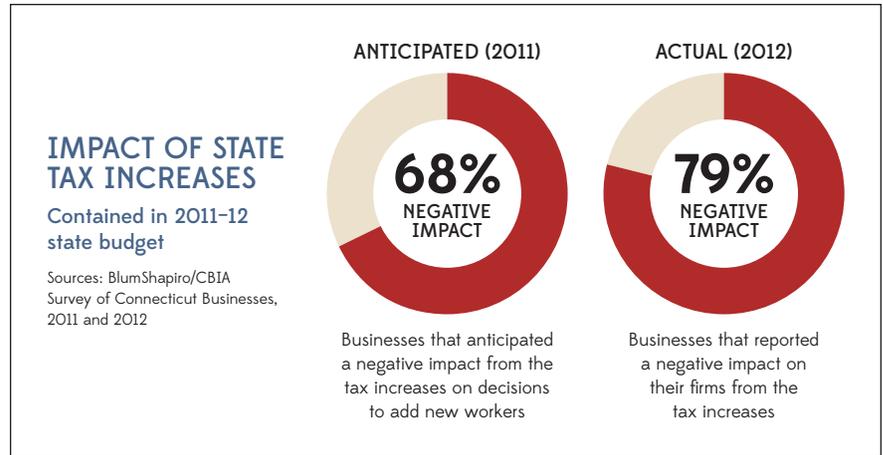
- » Clarify the apportionment methodologies applicable to limited liability companies and partnerships to provide a level playing field with corporations

- » Clarify the manufacturing exemption for mixed-use businesses and repairs
- » Phase out the corporate income tax surcharge as planned
- » Eliminate the electricity generator tax as planned

### Long-term goals

- » Phase out the 70% cap on corporate tax credits for R&D and fixed capital
- » Phase out the minimum corporate income tax and business entity tax
- » Allow all business entities to claim tax credits
- » Eliminate the sales tax on business-to-business analysis, management, and consulting services

- **Encourage** consistency and predictability in the development and application of state tax policy and avoid retroactive changes to ensure fairness, effectiveness, and economic growth.



# MORE COMPETITIVE BUSINESS COSTS

## STRONGER, MORE COMPETITIVE IS:



Where employers are able to offer and sustain the high wages and benefits that raise the standard of living and provide a good quality of life for all state residents.

## ENERGY COSTS

**GOAL:** PROMOTE A COMPREHENSIVE ENERGY POLICY THAT PROVIDES OUR ECONOMY WITH RELIABLE, DIVERSE, AND AFFORDABLE POWER

Connecticut, which traditionally has had some of the highest energy costs in the nation, now has the opportunity to follow a new energy-strategy roadmap that can lead to cheaper, cleaner, and more reliable energy. The task ahead is to put into action key

components of the state's Comprehensive Energy Strategy that will help manufacturers and other businesses in the state gain continuous access to a diverse portfolio of affordable energy sources.

- ▶ **Implement** aspects of the state's new Comprehensive Energy Strategy that reduce energy costs for Connecticut manufacturers and other businesses.

- ▶ **Allow** greater flexibility to meet the state's Renewable Portfolio Standards, such as by broadening the universe of "Class I" renewables.
- ▶ **Further** develop and maintain a diverse portfolio of energy sources to fuel our economy, including natural gas, large-scale hydropower, nuclear, fuel oil, clean coal, and renewables.
- ▶ **Structure** Connecticut's new "Green Bank" and reform existing state efficiency programs to more effectively and efficiently help private-sector businesses reduce their energy costs.
- ▶ **Eliminate** taxes on energy transmission and generation, such as the Competitive Transition

Assessment and the tax on electricity generation, that make our state less competitive than others in our region.

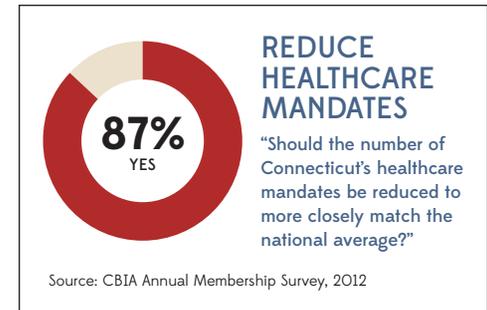
## HEALTHCARE COSTS

**GOAL: SHAPE STATE HEALTHCARE POLICY TO REDUCE COSTS WHILE INCREASING QUALITY & ACCESS**

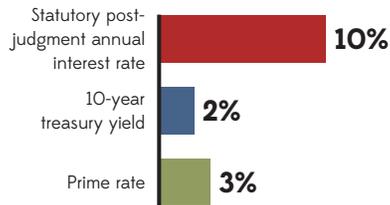
Healthcare costs are among Connecticut employers' greatest concerns. Policymakers should not only reject any future health coverage mandates that drive up costs but also reduce the number of existing mandates. Implementation of the federal healthcare law must take into account the needs of the business community and leverage the state's private-sector market to promote wellness, preventive care, and chronic

disease management in an effort to lower cost, improve quality, and increase access.

- ▶ **Reduce** existing state healthcare mandates in order to lower costs and increase health insurance plan options.
- ▶ **Reject** future mandates that, under federal legislation, would be a direct cost to the state.
- ▶ **Encourage** competition and a level playing field that will offer employers more choice among health insurance plans both within and outside the state's exchange.



## HIGH MEDICAL MALPRACTICE INTEREST RATE



Source: Connecticut General Statutes; U.S. Department of the Treasury; BankRate.com

- ▶ **Continue** to reduce cost-shifting to the private sector by ensuring doctors and hospitals are appropriately reimbursed for services provided to Medicaid patients.
- ▶ **Address** one of the largest cost-drivers in health insurance by modifying medical malpractice claim statutes to:
  - » Set pre-judgment interest rate at prime plus two percentage points

- » Set post-judgment interest rate at prime plus two and codify its imposition as discretionary

- ▶ **Maintain** the practice of requiring pre-trial certificates in medical malpractice claims.

## ENVIRONMENTAL COSTS

### GOAL: BETTER ALIGN ENVIRONMENTAL LAWS, REGULATIONS, AND POLICIES WITH ECONOMIC DEVELOPMENT GOALS

Cleanup and redevelopment of properties in Connecticut has been hampered for decades by overly complex, stringent and costly laws, regulations and spill-reporting policies, as well as investigations and cleanup of contaminated sites once discovered. Lawmakers must establish clear, simple and reasonable reporting requirements; the DEEP must revise its cleanup standard regulations to be consistent with nationally recognized, risk-based standards that can be efficiently

administered by private-sector, licensed environmental professionals. Any proposal to broaden the range of properties subject to reporting and cleanup should be rejected by the legislature until these modifications have been put in place.

- ▶ **Don't expand** the regulatory net for environmental reporting before adopting reasonable revisions to state cleanup regulations.
- ▶ **Provide** clear, reasonable, self-implementing cleanup standards that promote economic development.
- ▶ **Continue** to reform state brownfield programs to encourage private-sector investment in these and other contaminated properties.
- ▶ **Improve** the Connecticut Environmental Protection Act by incorporating evidentiary thresholds and procedural timelines as prescribed by the Connecticut Supreme Court.

- ▶ **Continue** to accelerate compliance assistance efforts and demand greater flexibility from the federal Environmental Protection Agency on methods of achieving compliance.
- ▶ **Work with** DEEP and the regulated community to identify and improve or eliminate inefficient, outdated, and ineffective laws and regulations, such as the stream channel encroachment program.

## LABOR & EMPLOYMENT COSTS

**GOAL: REMOVE BARRIERS TO JOB CREATION BY CONTROLLING BUSINESS COSTS AND REDUCING ADMINISTRATIVE BURDENS**

Competitive states eliminate barriers to business growth and give employers the flexibility to meet the needs of both their employees and the markets they serve. Connecticut employers traditionally offer some of the high-

est wages, best benefits, and safest working conditions in the United States. Policymakers should help ease the high cost of doing business in the state so that employers get a clear indication that the time is right to create more jobs.

- ▶ **Modify** the paid sick leave law so that Connecticut employers are able to administer it more effectively by:
  - » Allowing employers the flexibility to administer the leave on a calendar, fiscal, or alternative year basis
  - » Exempting manufacturers as originally intended
  - » Permitting employers to address absenteeism that results from the misuse of paid sick leave
  - » Allowing employers to verify their number of employees by the same method used under the state's family leave law

- ▶ **Control** workers' compensation costs by controlling medical expenses:
  - » Eliminate barriers to encourage hospitals, employers, and insurers to negotiate appropriate charges for services provided in workers' compensation cases
  - » Promote the effective use of rehabilitative services to help employees return to work

### Greatest Human Resources Challenges in Next 5 Years

#1 Skills Shortage

#2 Complying with Laws/Mandates

#3 Workforce Shortage

Source: 2012 Survey of Connecticut Businesses, CBIA and the University of New Haven's Center for Family Business

- ▶ **Control** unemployment compensation costs by:
  - » Ensuring benefit recipients are actively trying to return to the workforce
  - » Changing the definition of unexcused absence to mean one day of unexcused absence rather than the more expansive two consecutive days
  - » Modifying the definition of suitability of employment in a way that encourages individuals to return to work as soon as possible, reflects the realities of the modern economy, and puts Connecticut in alignment with other states
  - » Seeks efficiencies by expanding the use of electronic employer filings
- ▶ **Reject** any proposals to limit communications between employers and their employees (“captive audience” proposals).

- ▶ **Reject** any legislative efforts to eliminate the secret ballot process for labor union elections (“card check” proposals).
- ▶ **Promote** job growth by removing residency and unemployment-rate threshold barriers to participation in the Subsidized Training and Employment Program (STEP-Up).

## CORPORATE GOVERNANCE & LIABILITY

### GOAL: MAKE CONNECTICUT'S CORPORATE LAWS CONSISTENT WITH THOSE OF COMPETITOR STATES

Becoming a more competitive state means putting Connecticut's employers on a level playing field with businesses from other states. Our laws must be consistent with other states' best practices. This includes:

- ▶ **Appropriately recognizing** the vitally important role boards of directors play in corporate governance.
- ▶ **Updating** state antitrust laws to put Connecticut on a level playing field with our competitor states.
- ▶ **Addressing** one of the largest cost-drivers in health insurance by modifying medical malpractice claim statutes to:
  - » Oppose weakening the required certificate of merit
  - » Set the pre-judgment interest rate at prime plus two percentage points
  - » Set the post-judgment interest rate at prime plus two and codify its imposition as discretionary

# A STRONGER CONNECTICUT

## STRONGER, MORE COMPETITIVE IS:



Where our greatest assets—skilled workers, core industries, advanced manufacturing—are buoyed by a high-performing education system, modern infrastructures, and the encouragement of innovation.

## EDUCATION & WORKFORCE DEVELOPMENT

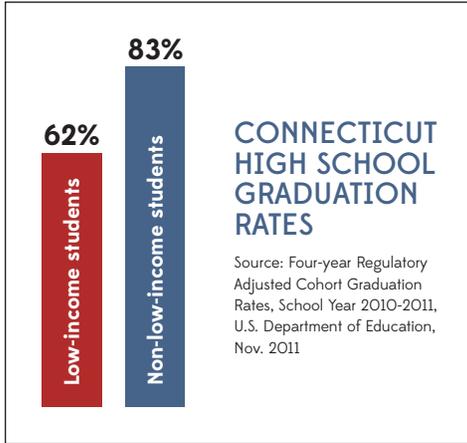
**GOAL: IMPLEMENT THE LANDMARK EDUCATION REFORMS PASSED LAST YEAR**

It's time to improve students' performance, close the state's academic achievement gap, and address the talent shortage facing Connecticut employers. Lawmakers and the State Department of Education must make sure last year's landmark education reforms

are properly executed. The reforms are critical to providing all of our young people the best chance to succeed in life, and they are vital to maintaining Connecticut's strategic advantage—a skilled, innovative, and productive workforce.

### Improve Education and Close the Achievement Gap

- ▶ **Remove** red tape to allow students and schools to achieve their academic goals:



- » Streamline certification programs to attract and retain qualified teachers and administrators; establish an alternative route to certification for school administrators
- » Reduce hurdles and provide incentives to promote exceptional teachers
- » Create programs to encourage high-achieving students to pursue careers in teaching

► **Ensure** that the state’s recent education reforms are implemented effectively so that students get the tools they need to become tomorrow’s competitive workforce:

- » Plan to further increase the number of available pre-K opportunities
- » Identify a process to ensure the quality of existing and future pre-K seats
- » Evaluate the effectiveness of pre-school initiatives by strengthening assessment tools
- » Help struggling students by increasing the number of early-reading and literacy programs as well as the length of time students spend in schools

► **Measure** the effectiveness of education programs to determine whether adjustments are necessary:

- » Review grant programs to ensure funds are reaching the schools most in need
- » Improve, strengthen, and align data collection systems—such as by

implementing a lifelong assessment system—to better address students’ academic progress throughout their school careers

## Workforce Development

- **Allow** students who are not involved in a school or secondary-education manufacturing or mechanical program to participate in manufacturing internships.
- **Increase** the accountability and effectiveness of state incumbent worker training programs by:
  - » Combining existing funding streams
  - » Simplifying application processes
  - » Instituting meaningful training performance measures
- **Increase** funding for incumbent worker training by \$1 million through the reallocation of existing workforce development funds.

- ▶ **Adopt** nationally recognized, industry-validated credentials as a foundation for all workforce development programs.

## ENERGY & TELECOMMUNICATIONS

**GOAL: PROMOTE POLICIES THAT WILL PROVIDE OUR ECONOMY WITH RELIABLE, DIVERSE, AND AFFORDABLE ENERGY AND TELECOMMUNICATIONS INFRASTRUCTURES**

It's critically important to allow energy and telecommunications to become long-term competitive assets. Key components of the state's comprehensive energy strategy can help manufacturers and other businesses in the state gain continuous access to a diverse portfolio of affordable power.

- ▶ **Provide** the infrastructure that will allow Connecticut to further develop and maintain a diverse portfolio of energy sources to fuel our economy

- ▶ **Increase** the state's flexibility to meet its Renewable Portfolio Standards, such as by broadening the universe of "Class I" renewables

- ▶ **Reject** measures that would result in state infringement on private telecommunications operations.

## TRANSPORTATION

**GOAL: UPGRADE CONNECTICUT'S INFRASTRUCTURES THROUGH STRATEGIC, PRIORITY INVESTMENTS**

Our transportation needs are still obvious and unmet—Connecticut's roads, railways, seaports, and airports need to be modernized and their economic potential fully realized. But the biggest question remains: How do we do more



with less? Policymakers will have to make strategic, priority decisions on funding the most important infrastructure projects in order to maximize a dwindling supply of state and federal transportation dollars.

- ▶ **Expedite** the implementation of priority transportation projects that will help drive economic recovery
- ▶ **Work with** the Connecticut Airport Authority to ensure the state achieves the full economic potential of our airports.
- ▶ **Implement** a strategic plan to bring all roads and bridges into good repair.
- ▶ **Ease** highway congestion, particularly on the I-95 corridor, through a balanced, multi-modal transportation network that leverages roads, highways, and mass transit resources.

# CONNECTICUT MANUFACTURING

**GOAL:** ADOPT POLICIES THAT ALLOW CONNECTICUT'S MANUFACTURERS TO GROW, CREATE JOBS, AND DRIVE ECONOMIC RECOVERY

Connecticut's greatest economic promise—now and for decades to come—is the state's diverse and innovative manufacturing industry. A resurgence of American manufacturing is creating new opportunities for manufacturers to drive our state's economy.

The challenge is to support Connecticut's manufacturers so that they can take advantage of those opportunities and be as competitive and productive as possible.

Commonsense improvements in education, environmental, tax, and economic development policies can improve manufacturers' competitiveness and increase the overall economic strength of the state.

- ▶ **Adopt** recommendations of the National Governor's Association Policy Academy that will provide manufacturers with the policies, business environment, and resources they need to innovate and compete globally.

- ▶ **Implement** aspects of the state's new Comprehensive Energy Strategy that reduce energy costs for Connecticut manufacturers and other businesses.
- ▶ **Allow** students who are not involved in a school or secondary-education manufacturing or mechanical program to participate in manufacturing internships.
- ▶ **Adopt** nationally recognized, industry-validated credentials as a foundation for all workforce development programs.

“A **strong manufacturing** sector is not just about jobs; it’s about **higher-wage** jobs.”

*The Case for a National Manufacturing Strategy*, The Information Technology & Innovation Foundation, 2011

- ▶ **Increase** funding for incumbent worker training by \$1 million through the reallocation of existing workforce development funds.
- ▶ **Amend** the Small Business Express program to provide help to companies trying to access new foreign markets for their goods and services.
- ▶ **Clarify** the manufacturing tax exemption for mixed-use businesses and repairs.

**EACH**  
manufacturing  
job creates

**1.5<sup>TO</sup>4**

**ADDITIONAL**  
jobs in other parts of  
the state’s economy

Source: RIMS II Multipliers

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 **LEGISLATIVE AND REGULATORY ISSUES**

 **STATE FISCAL POLICY**

 **ENERGY**

 **ENVIRONMENT AND LAND USE**

 **EDUCATION**

 **WORKERS' COMPENSATION**

 **CORPORATE GOVERNANCE AND LIABILITY**

 **LABOR AND EMPLOYMENT**

 **COMMERCE AND HOUSING**

 **TRANSPORTATION**

 **HEALTHCARE**



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