

Fixing Connecticut

Joe Brennan, President & CEO, CBIA

Commission on Fiscal Stability & Economic Growth

1.24.2018

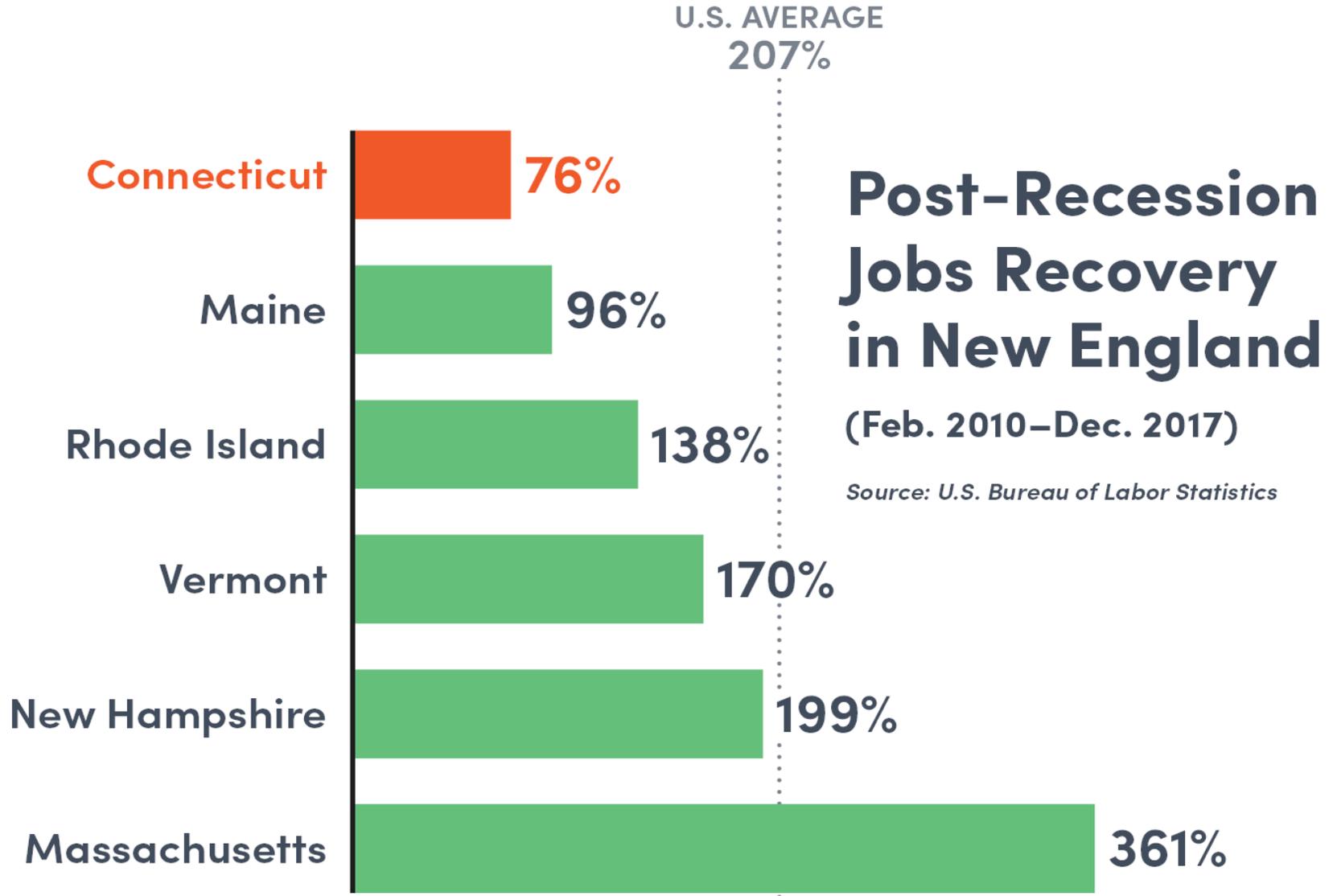


Fixing Connecticut

- Perspectives: Last 30 Years
- Connecticut's Economy in 2018
- Fiscal Stability
- Economic Growth

Perspectives: Last 30 Years

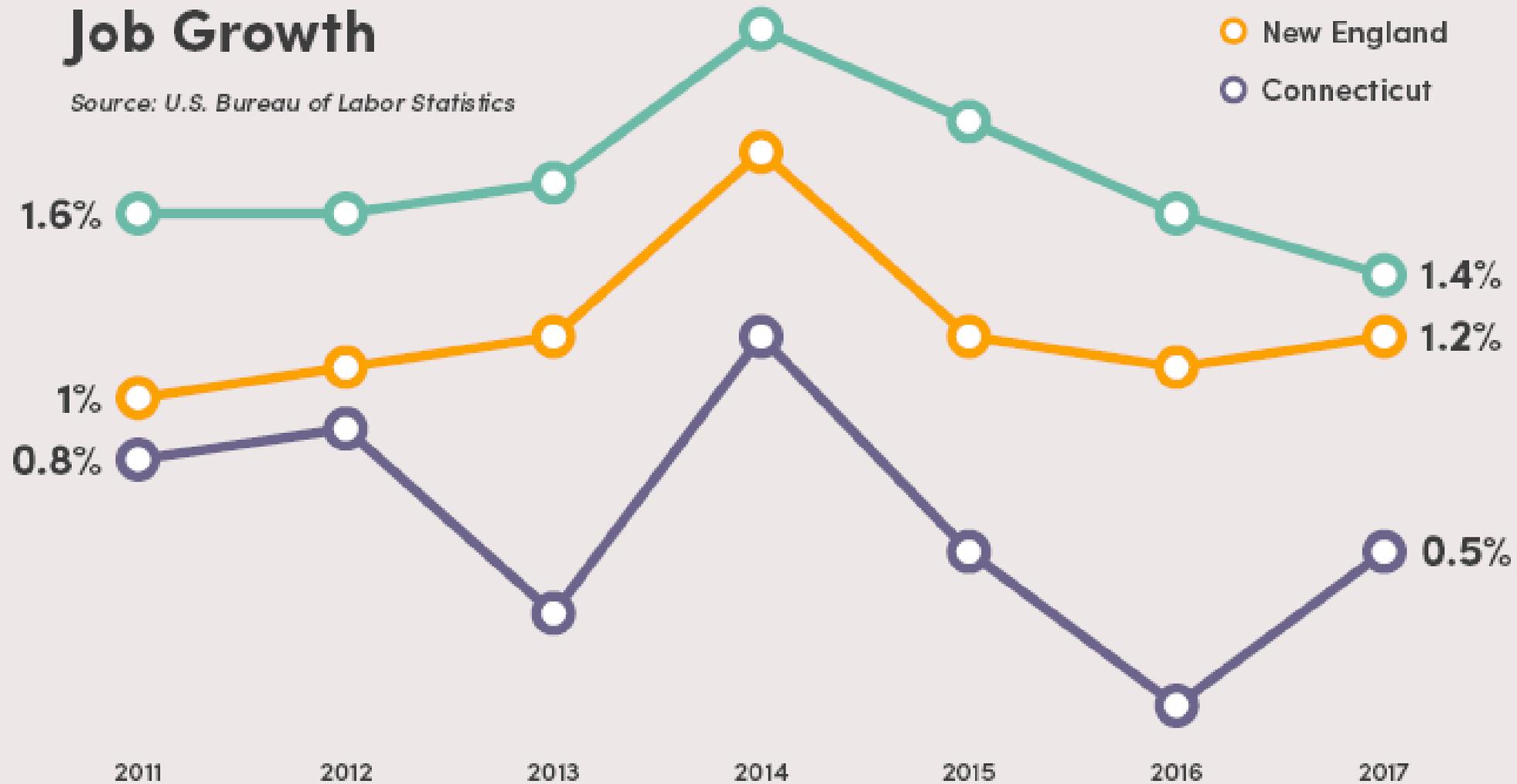
- Lessons from the early 1990s recession
 - State lost 165,000 jobs (more than 2008-2010 recession)
 - Recovered all those jobs, partly through policy changes (workers' compensation reforms, taxes)
- Eight years after last recession ended, just 76% of 119,100 lost jobs recovered



Post-Recession Job Growth

Source: U.S. Bureau of Labor Statistics

- United States
- New England
- Connecticut

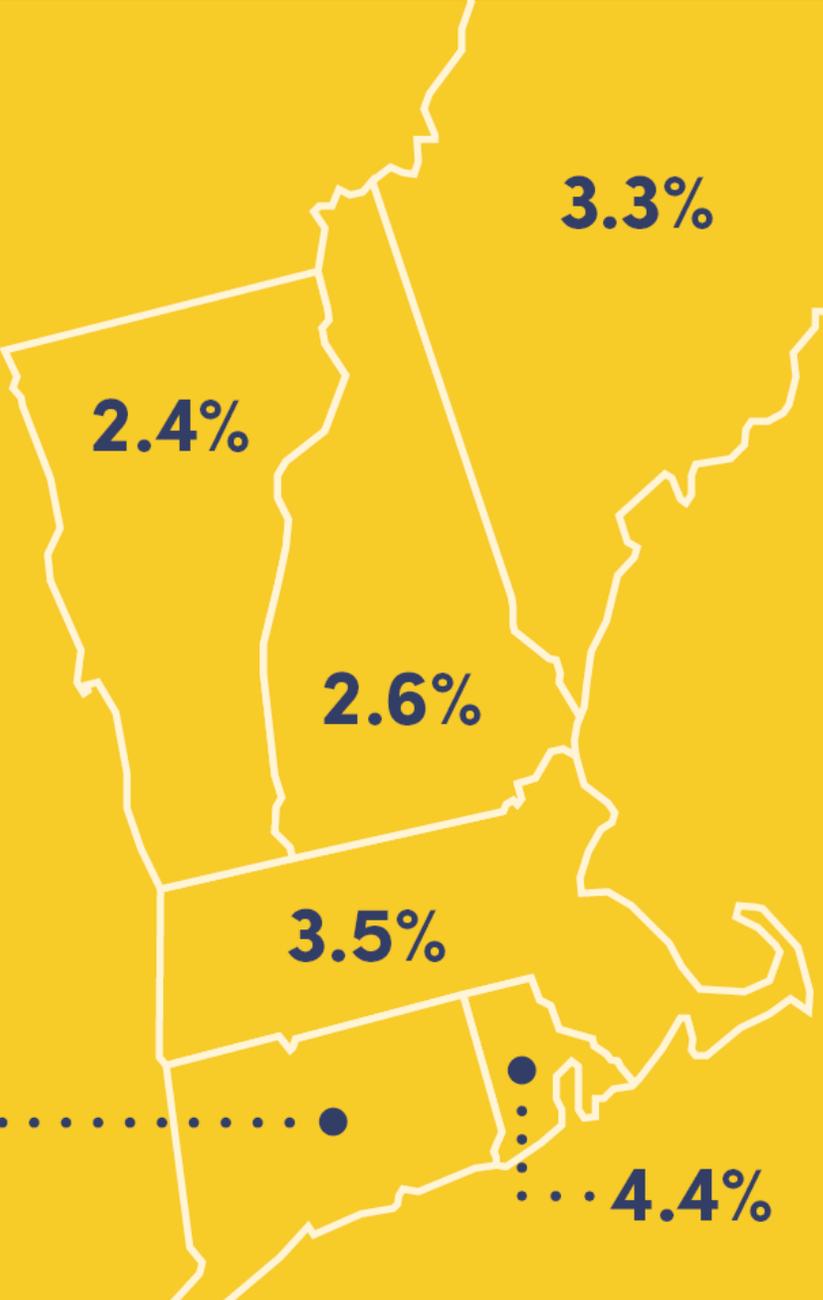
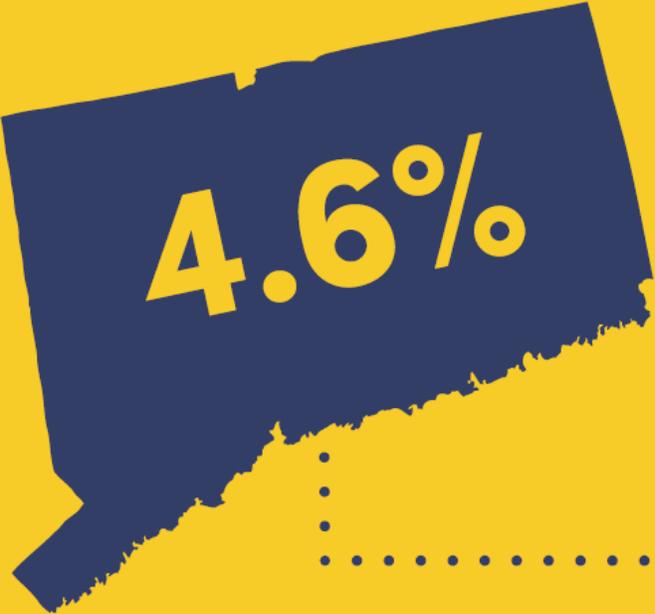


New England Unemployment Rates

December 2017

Source: U.S. Bureau of Labor Statistics

4.1%
UNITED STATES



Perspectives: Last 30 Years

- What drove job losses?
 - Lack of fiscal stability
 - High business costs
 - Declining confidence in state government
 - Aggressive competition from other states, countries (and out-of-state affiliates, operations)

Perspectives: Last 30 Years

- What drove job gains?
 - Major workers' compensation reforms
 - Greater fiscal stability
 - Legislature's more pro-growth attitude

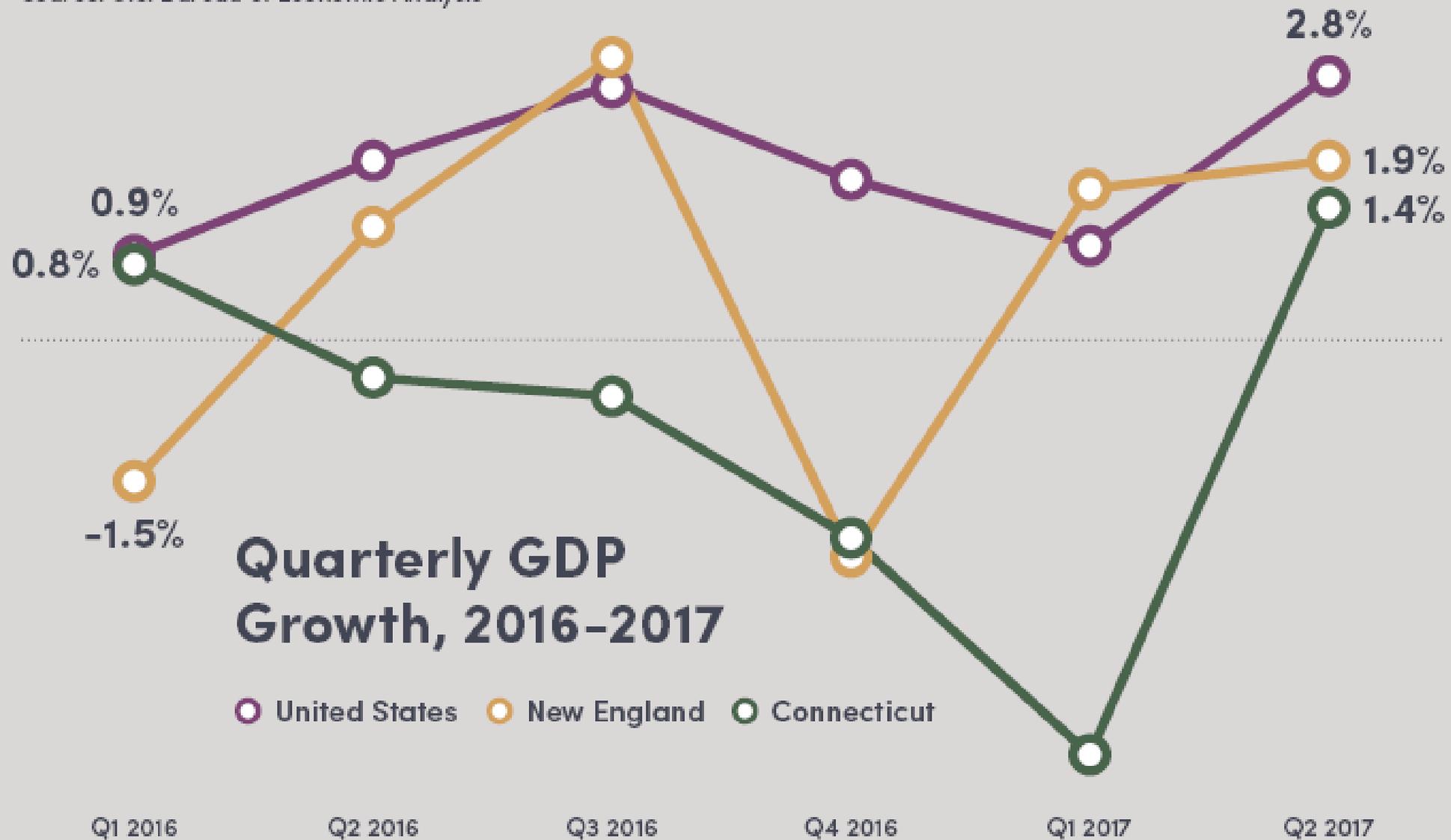
Connecticut's Economy in 2018

- Economic growth lags region, state
- Anemic job growth
- Lack of confidence remains an issue
- Positive manufacturing signs, should drive growth in other sectors

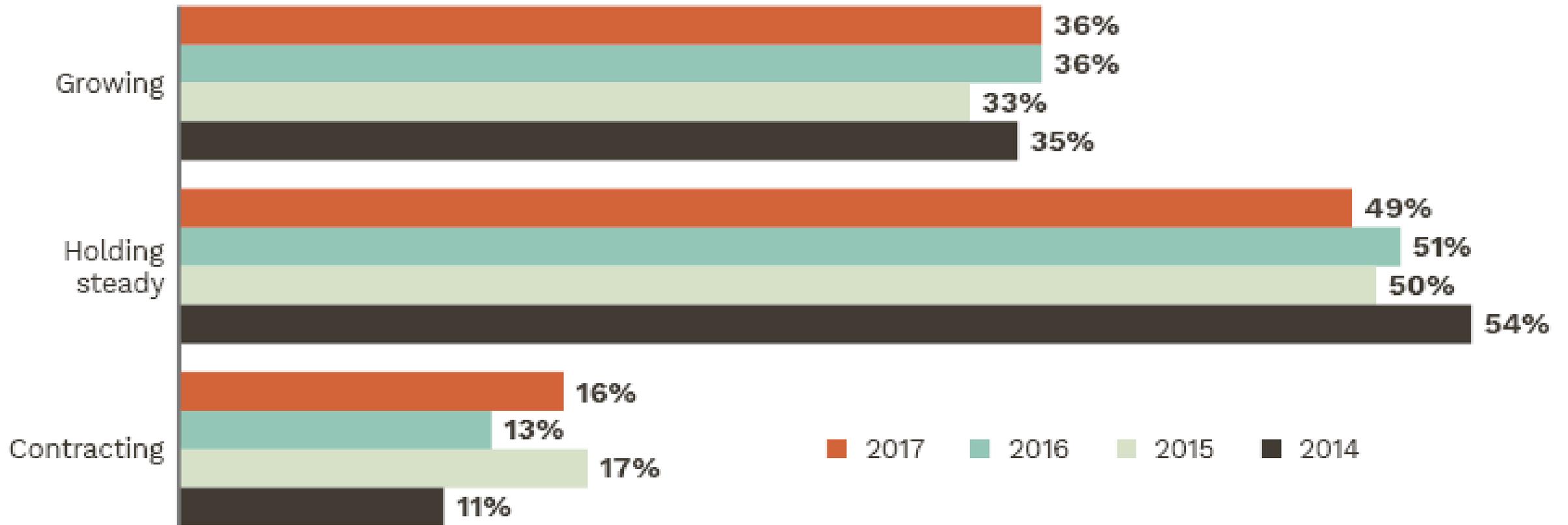
Connecticut's Economy in 2018

- Most CBIA members report doing fairly well
 - Majority of growth coming from out-of-state operations
- High-growth states don't have Connecticut's fiscal problems
 - Can focus more resources on talent, infrastructure
 - Further erodes our competitiveness

Source: U.S. Bureau of Economic Analysis

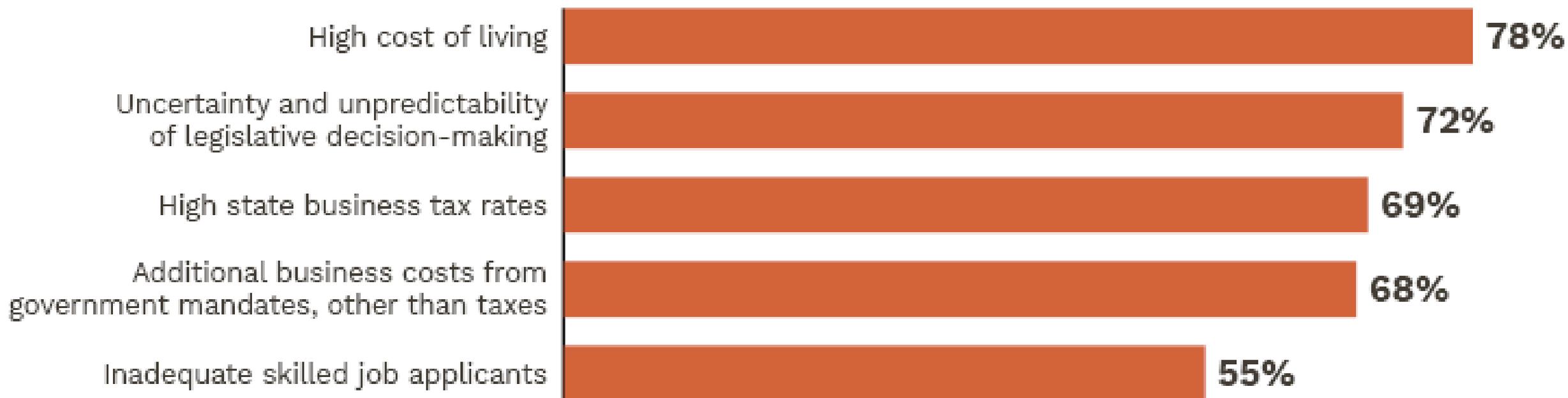


Is your company...



Source: CBIA/BlumShapiro 2017 Survey of Connecticut Businesses

Top five factors hampering business growth



Source: CBIA/BlumShapiro 2017 Survey of Connecticut Businesses

Forbes 2017 Best States for Business

Connecticut

#42

2016 Rank

#43

#41 Business Costs

0.5% Job Growth (2017)

#33 Labor Supply

9% Cost of Doing Business
(Above nat'l average)

#42 Regulatory Environment

38.3% College Attainment

#42 Economic Climate

-12,800 Net Migration (2016)

#43 Growth Prospects

A1 Moody's Bond Rating

#5 Quality of Life



-37,328

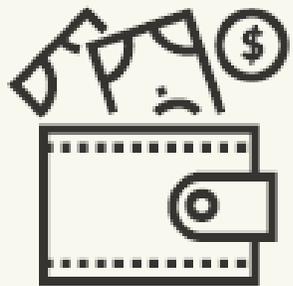
Residents

-7,818

25-39 year-olds



**2016 CONNECTICUT
POPULATION LOSSES**



-3,976

Top earners

-8,861

College graduates



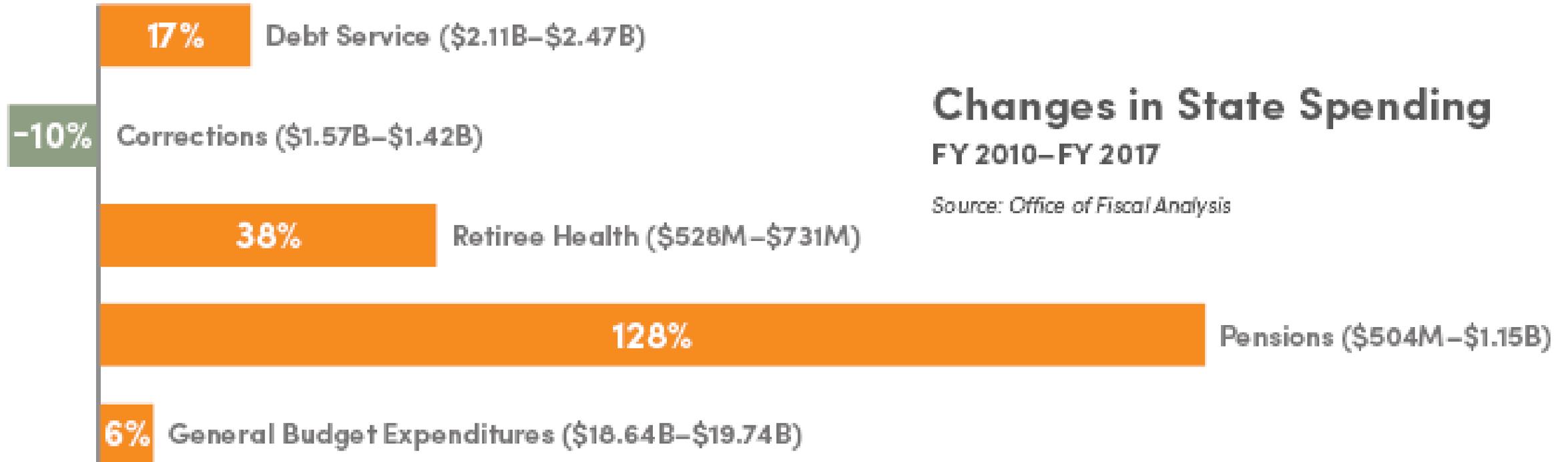
Source: U.S. Census Bureau, Hartford Courant

Recovery Prescription

- Economic competitiveness must be top priority for policymakers
- Connecticut's economy can no longer be a zero sum game
- Change can come quicker than expected
 - Depends on willingness to make right policy choices

Fiscal Stability

- Short, long-term fiscal challenges
- Addressing them requires difficult decisions
- Key for restoring business confidence

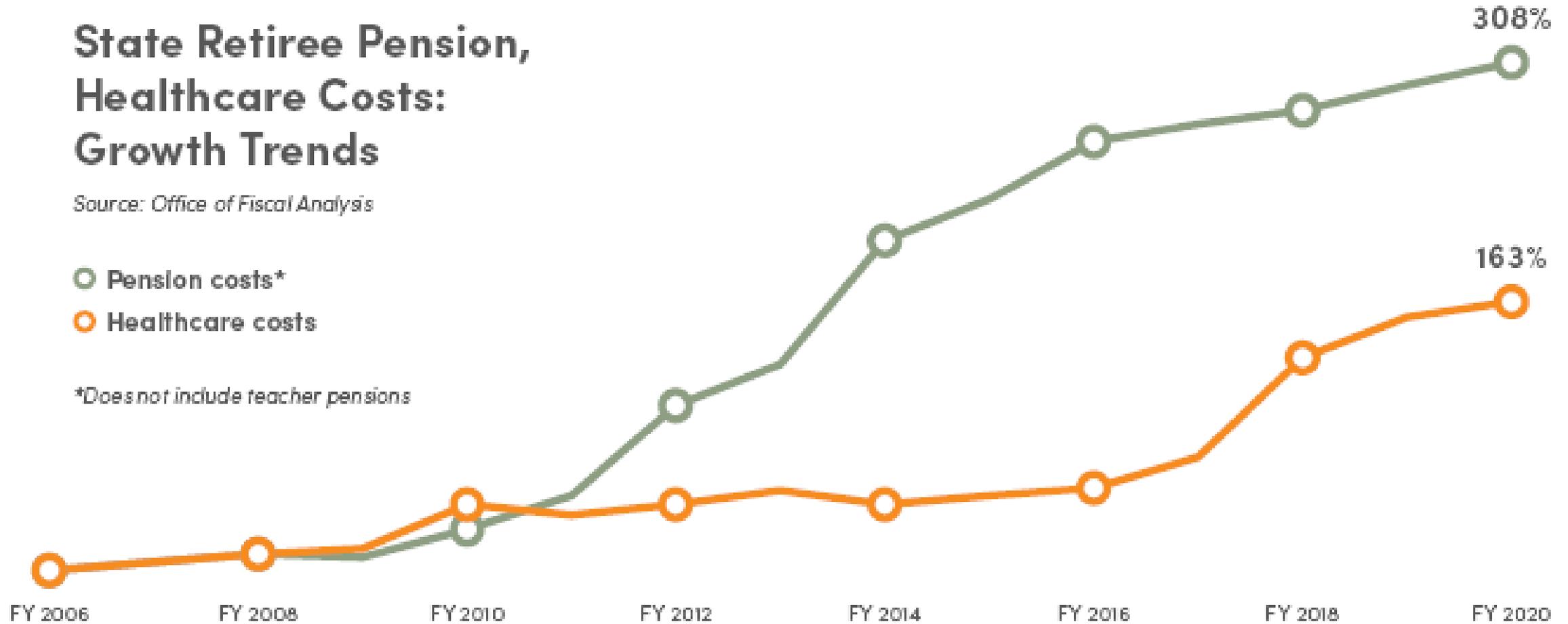


State Retiree Pension, Healthcare Costs: Growth Trends

Source: Office of Fiscal Analysis

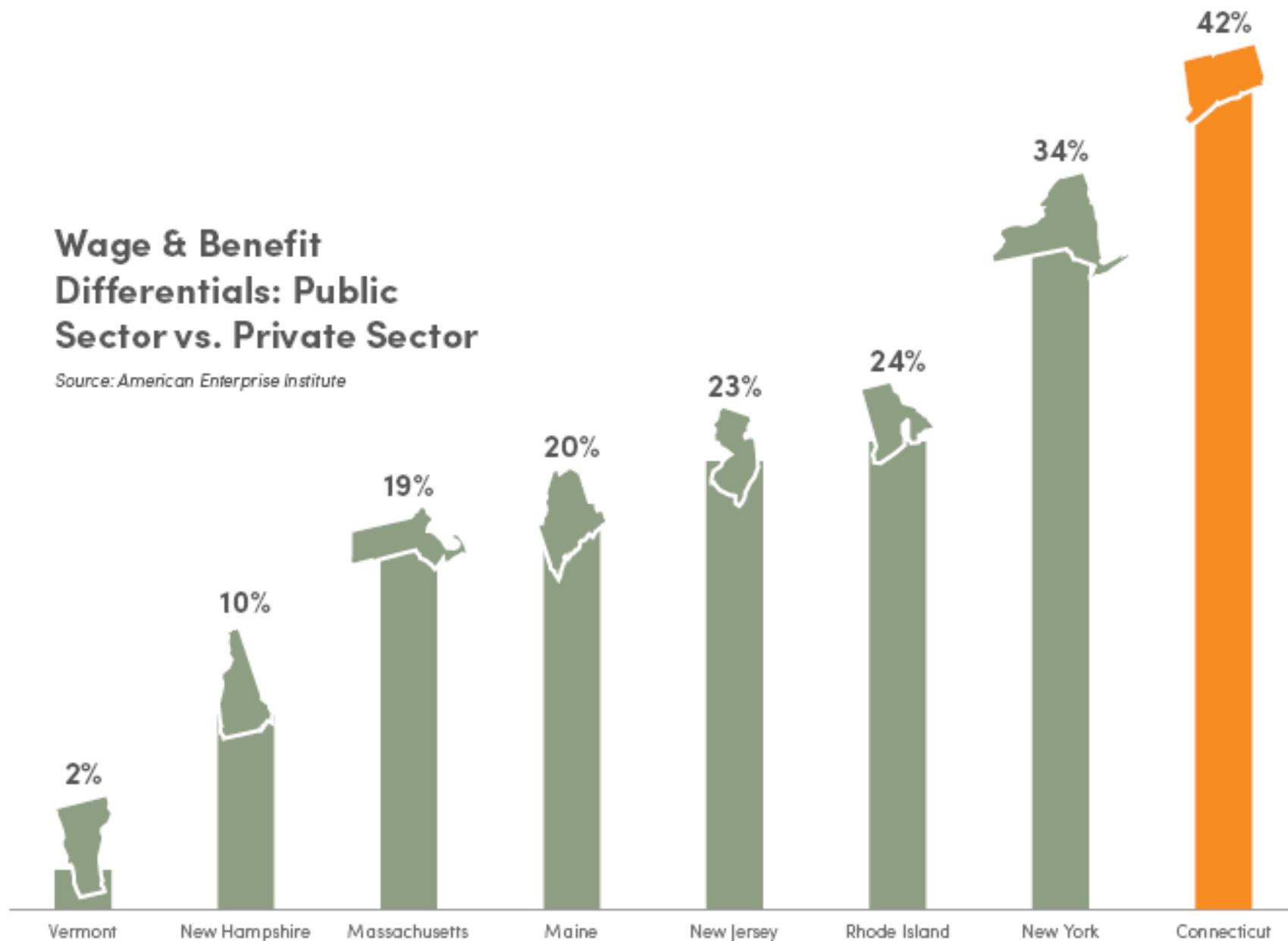
- Pension costs*
- Healthcare costs

*Does not include teacher pensions



Wage & Benefit Differentials: Public Sector vs. Private Sector

Source: American Enterprise Institute





Source: U.S. Census Bureau, Mercatus Center
at George Mason University



Fiscal Stability

- SEBAC contract changes needed in 2027...or sooner
 - Eliminate overtime in pension calculations
 - Switch to defined contribution plans for all new hires
 - Eliminate post-retirement medical benefits
 - Increase retirement age from 62 to 65, index based on life expectancy changes
 - Increase pension contributions, cap annual payouts

Fiscal Stability

- End collective bargaining for pensions, benefits (one of only four states)
- Adopt zero-based budgeting
- Dedicated funding stream to pay down crippling unfunded liabilities
- Expand use of quality non-profit agencies
- Foster regionalization of municipal services

Economic Growth

- Administration, legislative leaders must make growth the top priority
 - Bipartisan support required for economic policy
 - Need long-term solutions, not Band-Aids
- Develop viable funding sources for transportation investments
 - Protecting transportation funds essential

Economic Growth

- Cut business costs, drive competitiveness
 - Immediate policy shifts on workplace mandates, regulations, energy
- Continue streamlining state government, including additional agency consolidations, privatization
- Support entrepreneurial programs that drive business starts, innovation
- Expand workforce development initiatives, focus on 21st century skills