



Connecticut Business & Industry Association

**TESTIMONY  
BONNIE STEWART  
CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION  
BEFORE THE  
FINANCE, REVENUE AND BONDING COMMITTEE  
LEGISLATIVE OFFICE BUILDING  
FEBRUARY 23, 2009**

My name is Bonnie Stewart and I am Vice President and Counsel for the Connecticut Business & Industry Association (CBIA). CBIA represents approximately 10,000 businesses throughout Connecticut and the vast majority of these are small companies employing less than 50 people.

Over the last several years the Connecticut economy has grown very modestly, with the state's gross product averaging about 3% annual growth. Compared with many other states, this growth has not fostered a solid environment of business growth. When Connecticut businesses are asked to identify the greatest obstacle to owning and operating a business in the state, an overwhelming majority cite the cost of doing business. The cost of doing business includes: wage costs, electricity costs, industrial or office rent, workers' compensation costs, unemployment compensation taxes, tax burden (corporate, personal, property, sales and gas) regulatory concerns and health costs/mandates. This list is not meant to be inclusive, but to provide insight into the many costs associated with operating a business in Connecticut.

The cost of doing business has become the topic of many national research institutions. Annual publications of rankings are compiled to determine how states compare with each other. Some of the most well-known (and politically neutral ones) show that Connecticut does not compare well. These include:

- CNBC study: Connecticut is the third highest state for business costs
- Moodys/Economy.com: Connecticut is the fourth highest state for business costs

- Milken Institute: Connecticut is the fifth most expensive state.

In each case, the number demonstrates just how disadvantaged Connecticut's businesses are when compared with other states.

The Finance Committee is now in the process of contemplating decisions that will have a major impact on Connecticut's ability to emerge from this financial shock. Ultimately, we must make certain that the business community is not considered the opponent, but a vital ally in generating jobs and future growth. We urge you to look closely at the proposals before the Committee that impact employers, including HB-6498, AAC The Sales And Use Tax Rate, SB-934, AAC A Corporation Tax Surcharge, and SB-930, AAC The Cigarette Tax, The Tobacco Products Tax And The Alcoholic Beverages Tax, and determine whether they fit into an environment that embraces capital and labor investments.

The number of unemployed people in Connecticut grows daily. More than 29,300 private-sector jobs were lost in Connecticut in 2008 and another 50,000 job losses are expected by mid 2010.

Many laid-off people are from the manufacturing sector of our economy which continues to face strong pressure from overseas and other domestic competition. Even more displaced workers are from the financial services sector, which is undergoing significant restructuring. These people need jobs and, therefore, Connecticut must be in good position to compete with other states for the job opportunities that will emerge as the country begins to recover from the recession.

CBIA urges you to keep in mind that tax policy has a significant impact on the state's economic development efforts. As the country recovers from the national recession and employers decide where to recall laid-off employees or where to hire new employees, Connecticut must be able to compete for those jobs.

Given the fact that Connecticut has not been reserved in its spending in recent years and has made little effort to re-examine existing or new programs and services that the state provides, it is time to rethink our state spending habits and think more strategically about fiscal policy.

The latest Quinnipiac University Poll shows that Connecticut residents are paying close attention to the budget crisis. Asked which strategy they would prefer to balance the state budget — higher taxes or reductions in government programs and services — people chose cutting services by a nearly two-to-one margin. In fact, 69% said the budget cuts proposed by Gov. Rell either are about right or do not go far enough. An overwhelming 82% agree that it's time to shrink the size of state government.

The people of Connecticut don't believe that state government has been cut as much as necessary, nor do they believe that tax increases are the only way out of the budget crisis.

Only 36% of respondents to the Q Poll said that higher taxes should even be considered in the budget debate. That is why business, along with the residents of Connecticut, are here today to say, "before there is any discussion of tax increases, Connecticut's residents and employers would like to see policymakers make state government leaner, more efficient and more affordable."

Thank you for the opportunity to share our concerns.

