TESTIMONY OF
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SUBMITTED TO THE
APPROPRIATIONS COMMITTEE
MARCH 3, 2011
LEGISLATIVE OFFICE BUILDING
STATE CAPITOL
HARTFORD, CONNECTICUT

Good day. My name is Peter M. Gioia. I am the economist for the Connecticut Business and Industry Association (CBIA). CBIA represents about 10,000 firms, which employ approximately 700,000 women and men in Connecticut. Our membership includes firms of all sizes and types, the vast majority of which are small businesses with fewer than 50 people.

CBIA wishes to comment upon **H. B. No. 6380 AN ACT CONCERNING THE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2013.** CBIA supports the overall spending changes in the Governor's recommended budget. CBIA realizes that the General Assembly will wish to make changes on programs and priorities in the budget. CBIA urges a bipartisan effort working with the Governor to create a two-year budget. We urge the committee to explore more areas to obtain efficiencies and restructure service provision to get sustainable savings for this and future budget years.

Connecticut must effectively manage its state budget to provide confidence for investors to create jobs that will have a positive effect on our economy. The more effective and efficient that government is, the better our business climate will be and the sooner we will see new good

jobs created. In addition, Connecticut will be better able to compete with other states to grow and retain existing businesses as well as bring new companies into our state.

Policies that help and not hinder the recovering economy are essential to solving our state's long-term budget problems. Only a strong economy and confidence in our government can provide the jobs people need and the revenues necessary to underwrite essential state services now and in the future.

Therefore, making Connecticut government more efficient isn't just a desired goal--it's essential to building and sustaining a healthy economy and an improved quality of life. That economy is in crisis today. The state lost 103,000 jobs in the recent terrible recession. Unfortunately, increased and prolonged unemployment has already lead to business unemployment compensation tax increases with more to come. While the economy is slowly improving many firms are still struggling and few are confident enough to add significant numbers of jobs.

Connecticut's fiscal situation is in a severe crisis. Our economy has undergone a sea change. Unprecedented personal income declines of 4.2% in 2009, likely continued personal income declines that will be noted for 2010, massive job loss and business closings have created a medium term reduction in the capacity of the state taxpayers to support and sustain business as usual in state government. Now is the time for serious structural change. The bill before you of the Governor's recommended budget realizes that need. Certainly any budget adjustments cause stress and pain, but the economy already reflects pain and our current level of spending is not sustainable. Some areas of the recommended budget that we think are especially needed include:

- Enhanced and expanded rescission authority
- Initial steps at corrections' reforms and expansion of long-term care reforms
- Measures to improve efficiency and restructure agencies

- Efforts to attain state employee concessions
- Bringing in the budget under spending cap growth levels.

But, even if the entire Governor's spending side changes are achieved, we are still facing tax increases at a time of a fragile economy and poor job creation.

The Governor's Recommended Budget is therefore a starting point for continuing budget adjustments. It is imperative that the legislature build on his recommendations with solid initiatives to save additional dollars and create the frame work to undertake critical analysis of agency and program spending so adjustment can continue in the following years.

Within the Governor's Recommended Budget, it is critical that you help him achieve his goal of $1 billion in union concessions per year. Regarding these goals we suggest you consider:

- The report of the Connecticut Regional Institute for the 21st Century on state employee pension and other retiree benefit reform. See http://ctregionalinstitute.wordpress.com/ .
- That concessions be ongoing changes not one year one shot changes.
- Those concessions that impact not only current costs but in particular reduce unfunded liabilities be encouraged.

The recommended budget includes improvements in long-term care (LTC) practices and corrections reform. But, studies by the CT Regional Institute imply that more might be accomplished. We refer you to the prior link for studies on those areas but also suggest:

- Consolidating responsibility for LTC placement in one entity as cited in the LTC report
- Developing a comprehensive strategy for diverting new entrants and extending home care opportunities
- Implement such LTC changes in year two of the biennium
- Making changes in corrections overtime and work rules as part of a concession plan

- Expanding innovative models that reduce recidivism as cited in the Corrections study such as character based prisons.

In addition, while we think consolidating agencies is a good first step, especially coupled with enhanced information technology efforts, agencies really need LEAN, RBA and better spans of control. We suggest you adopt the Commission on Enhancing Agency Outcomes proposals in SB 1059 such as creating a span of control of 1-10 from 1-6 current managers to staff. In addition we suggest you help to:

- Accelerate the adoption of LEAN practice by more and larger agencies
- Accelerate the RBA program so you can get better information for your future decision making

CBIA does have serious concerns that we have a $70 billion unfunded liability in the state budget. While this budget proposal does not avoid obligatory annual funding of state employee pensions and retiree healthcare neither does in clearly present a plan to significantly reduce those obligations. Adoption of GAAP accounting is a plus as it will more clearly show our obligations but does not in itself prescribe a remedy for our unfunded liability dilemma. We urge the committee to work with the Governor to have a plan to address the unfunded liability issue as part of the final budget bill.

While controlling state spending is a substantial and difficult task, we hope the committee and the General Assembly will make the necessary difficult decisions that will provide an improved fiscal climate for our state while fully protecting our fragile economy. CBIA trusts that the General Assembly will see to it that the budget is used as a tool to help create future economic growth that will lead to higher personal income and ensuring greater budget flexibility in future years. Thank you for the opportunity to present this testimony.