STATEMENT REGARDING
Senate Bill 1007: AAC the Governor's Recommendations on Revenue

Finance, Revenue & Bonding Committee
March 7th, 2011

The MetroHartford Alliance is the Region's economic development leader and Hartford's Chamber of Commerce. Our investors include businesses of all sizes, health care providers, institutions of higher education, and regional municipalities. All of our investors share a common interest in the full economic recovery of Conneticut and in its ability to retain and grow jobs and attract capital and talent.

Since Connecticut continues to face extreme fiscal challenges, we urge the legislature to make Connecticut's economic recovery its top and only priority and to pass a truly balanced budget by April 30th. These fiscal challenges are manifested primarily by significant deficits. Indeed, Connecticut has the highest per capita deficit and the highest bonded indebtedness in the nation and faces deficits in the next biennium that exceed $7B with unfunded public retiree pensions and healthcare benefits approximating $40B. These deficits present enormous obstacles to economic recover and job growth and make it imperative that the FY '12 and FY'13 budgets include actions that streamline state government, that keep total spending well below the Constitutional spending cap, and that ensure a tax system that is fair and predictable so that the private sector wil retain and expand jobs and invest in capital, equipment, and facilities.

To achieve such ends, we support the Governor's proposed steps to initiate reforms in the corrections and health care systems, to expand his rescission authority, and to consolidate state agencies. We especially applaud his commitment to work with state employee labor leaders to secure $1B in concessions in each of FY'12 and FY '13 and to make structural changes to address the unaffordable pension and benefits system. While we are encouraged by all of these proposals, we urge the Governor and the Legislature to continue to identify other opportunities to reduce spending in the current biennium as well as in the out years.

The state's tax package is equally important and must focus on short-term economic stimulation for Connecticut's residents and for the private sector entities that employ those residents. The Governor has proposed approximately $1.5 billion in new taxes, many of which will increase the cost of doing business in Connecticut, including the following:

- a 2-year extension of the 10% corporate income tax surcharge,
- an increase in the personal income tax, which will particularly impact small businesses that pay business taxes through the personal income tax,
- a new electricity generation tax,
- a throwback rule which will impact in-state manufacturers,
- an increase in the sales tax along with the removal of many exemptions, and
- an increase in the premium tax on insurers, one of the state's largest employers.

We understand that the Governor's proposals are the first step in negotiations between the executive and legislative branches, but we urge you to consider the impact of each of these proposals on our current number of jobs and on our ability to replace the over 100,000 jobs that we have lost over the past three years. We specifically urge you to maintain predictability in our tax system, including sustaining those credits that make Connecticut attractive to private sector employers, both those that are here today and those considering launching or relocating an operation in the future.

As you know, our unemployment rate is higher than all of our immediate neighbors with the sole exception of Rhode Island (Bureau of Labor Statistics). According to the Tax Foundation's 2011 State Business Tax Climate Index, Connecticut ranked 47th with regard to business tax climate when comparing corporate taxes, individual income taxes, sales taxes, unemployment insurance taxes, and taxes on property. As you weigh the Governor's recommendations regarding the state's tax package, we therefore ask that your decisions ensure that Connecticut is truly "open for business" and that we are able to compete aggressively and successfully for 21st century jobs, capital investment, and talented individuals.