



CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION

**TESTIMONY OF
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CONNECTICUT BUSINESS AND INDUSTRY ASSOCIATION
SUBMITTED TO THE
APPROPRIATIONS COMMITTEE
FEBRUARY 21, 2012
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. 5014 AN ACT MAKING ADJUSTMENTS TO STATE EXPENDITURES AND REVENUES FOR THE FISCAL YEAR ENDING JUNE 30, 2013**. CBIA supports the spending priorities in the Governor's recommended budget, especially on education reform and paying down pension obligations. 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 identify additional savings so these priority areas can be addressed without an overall increase in spending which would create a better 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. While the economy is improving we still see some firms struggling and few are confident enough to add significant numbers of jobs. Substantial downside risks remain to the economy with financial issues in the European Union and threatening actions by Iran.

Connecticut's fiscal situation has come out of a severe crisis, but risks still remain. Now is still the time to be prudent in spending and to seek out and seize opportunities for cost savings. It's also the time for careful and calculated investments that enhance recovery. Some areas of the recommended revised budget that we think are especially noteworthy include:

- Initiatives to enhance educational achievement and create significant educational reform
- Ongoing support of the special "jobs session" initiatives
- Continued efforts at corrections' reforms and long-term care reforms
- Measures to improve efficiency and restructure agencies
- Bringing in the budget under spending cap growth levels.

But, we think more cuts would provide a greater cushion against possible revenue additions in the out years given how close the budget is to the cap, likely deficiencies in some entitlement areas, and concerns raised by OFA over "present level" out year spending.

These reductions could come in many areas but we'd like to cite four. First, the budget includes savings from the fact a thousand more state employees took early retirement last year than OPM projected. That's a good thing because cost savings from union members due to a "suggestion box" and information technology suggestion have yet to be realized. We think it's imperative that the legislature vigorously press for these agreed upon cost savings responsibilities to be realized. The administration has lived up to its no layoffs pledge, but the SEBAC has yet to provide the millions in savings it promised. The legislature should *demand* these savings.

Second, the revised plan includes some initiatives to increase the use of home care vs. nursing home care where appropriate. We agree with these efforts but would appreciate a more comprehensive effort at easing home care options as outlined in the CT 21 report on long term care (see: <http://www.ct21.org/>) The potential to save tens if not hundreds of millions of dollars exists with a major effort in this area.

Third, continue to enhance and support the efforts at prison reform and recidivism reduction in corrections. A solid effort is underway here but the committee should see if strategic investments or changes might produce both cost savings now and more over the long term.

Fourth, we were pleased that the Governor recommended and the General Assembly passed LEAN initiatives in several agencies to speed permitting during the special session. But, a lot more can be done with LEAN management techniques. Expanding a comprehensive LEAN effort to all the major agencies ought to improve effectiveness and customer service, increase efficiency and over time see substantial cost savings. As fore mentioned we are not out of the woods on fiscal challenges, efforts here could preserve vital programs in future years by LEANing waste.

Finally we are encouraged that the Governor wants to consider agency consolidation. We hope through reassignment and attrition he can achieve better economies of scale with such consolidations.

The Governor's revised plan 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.

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.