

**TESTIMONY OF
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SUBMITTED TO THE
APPROPRIATIONS COMMITTEE
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LEGISLATIVE OFFICE BUILDING
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Good day. My name is Peter M. Gioia. I am the vice president and 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, over 90% are small businesses with fewer than 50 people.

CBIA wishes to comment upon H.B. No. 5030 AN ACT MAKING ADJUSTMENTS TO STATE EXPENDITURES FOR THE FISCAL YEAR ENDING JUNE 30, 2015.

CBIA supports much of what is in the bill but sees areas for improvement and has ongoing concerns regarding state spending and the economy. CBIA urges a bipartisan effort working with the Governor to identify and achieve additional savings. We are also concerned that in your review that the committee and the General Assembly does not add additional spending which too often has been the case in prior years. I have attached a link to our *Turning the Tide* report (<http://cbia.com/govaff/pdf/2013/TurningTheTide.pdf>) which has suggestions which have not all been fully implemented that may help guide you to realize additional savings.

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 certainly improving we still see some firms struggling and few are confident enough to add significant numbers of jobs. Downside risks remain to the economy with Federal Reserve efforts to taper bond purchases, regional weakness in housing recovery and job creation, continued financial issues in the European Union and uncertainty in economic conditions in China. All of these may impact our state and revenue generation.

Connecticut's fiscal situation has come out of a severe crisis, but serious problems 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 budget that we think are especially noteworthy include:

- Initiatives to continue to enhance educational achievement and further significant educational opportunity
- Ongoing support of manufacturing
- Continued efforts at long-term care reforms
- LEAN initiatives to improve efficiency across many agencies
- Added attention to transportation infrastructure needs

But, more can be done. CBIA and Connecticut Voices for Children do not agree on many things, but we agree that certain areas of the budget seeing far above average growth threaten to choke off discretionary spending in vital areas like education, human services, transportation and

public safety. I'd like to cite six areas for attention. Three of these, union retirement spending, long-term care and corrections are just the above average growth areas threatening other programs.

First, more cost savings from union members needs to be realized. We think it's imperative that the legislature vigorously press for reforms in pensions and other than pension retirement benefit. Our unfunded liabilities are enormous and a serious obstacle to balancing any budget. We think the Governor's action to add \$100 million to accelerate pension contributions is a good idea, but we'd like to see the unions step up with reasonable ways to lessen these long term obligations. A report from CT-21 (see: <http://www.ct21.org/>) points to opportunities here.

Second, the revised plan continues to add 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 and accelerated 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 millions of dollars exists with a more concerted effort in this area.

Third, the state needs to continue to support the efforts at prison reform and recidivism reduction in corrections. Efforts are 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 is implementing LEAN initiatives in several agencies, building upon success in areas like permitting in DEEP. 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. But, it needs to be implemented comprehensively and with all deliberate speed. We soundly urge the General Assembly to monitor these efforts and ensure results.

Fifth, more needs to be done to better use information technology to efficiently provide services. The state has weak IT capabilities compared to any private corporation with over 50,000 employees. A report from CT-21 will be shortly forthcoming on this.

Sixth, government needs to require, support and reward measurement. Some small efforts such as limited RBA and Results First are underway in the state. But, seriously this committee has no idea whether most of the programs we fund are working as intended or not. We simply do not know because we have no structure or requirements in place to find out, measure and report results. We need to do this in both state programs and state funded programs across all agencies. RBA is treated as a pilot when it should be the core requirement embodied in all funded programs.

Finally, we need to be realistic and prudent regarding our welcome budget surplus. This is built upon one year and possibly onetime gains in the stock market boosting income tax receipts coupled with a onetime tax amnesty windfall. It's not a permanent fix. As such, we must take care to use these monies to add to the Rainy Day Fund and pay down long term obligations. If this is maintained or it grows we cannot squander this money in additional spending.

In addition, CBIA opposes parts of the Governor's Bill No. 21 (LCO 638) An Act Implementing the Budget Recommendations of the Governor Concerning General Government. Specifically, CBIA is concerned about Section 24 of this bill where it requires certain employers to pay for the statewide State Innovation Model (SIM) initiative. High healthcare costs are top concern for Connecticut's employers and CBIA is very concerned about levying even more fees – meaning even higher costs.

This bill would require self-insured employers as well as health insurance carriers to foot the bill for a program that is intended to benefit all Connecticut consumers. Since this initiative is designed to benefit all of Connecticut it is unreasonable to require specific sectors to pay for it. Furthermore, as you know, because of changes under federal healthcare law Connecticut's employers, specifically including self insured employers, are facing substantially higher health

care costs and this new fee makes matters worse. Furthermore, the SIM program was explained as an initiative that would seek federal funding and not look to Connecticut's employers to pay for this statewide initiative.

While CBIA continues to support a value-based approach to healthcare delivery our members are very concerned about new taxes and fees.

The Governor's 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 still 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.

