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Finance, Revenue and Bonding Testimony, Council 4 AFSCME, April 23, 2015

SB 1135 AAC Establishing a Sustainable Path for Maintaining the Budget Reserve Fund and Reducing the Effect of Revenue Volatility on the State Budget

My name is Brian Anderson. I am a lobbyist for **Council 4 AFSCME**. Council 4 thanks the Comptroller for this proposal, we think the intent is a good one – we need a more stable budgeting process and we need to pay down long term obligations. **However, there is more we can do such as amend this bill to raise more state revenue by restoring taxes on Connecticut's richest citizens who have enjoyed gargantuan federal and state tax breaks during the last 30 years.**

I cite Republican President Dwight D. Eisenhower's record. When President Kennedy proposed dropping the 91% top federal income tax rate for the nation's richest citizens, Eisenhower who was loathe to speak in retirement, publicly urged Kennedy not to do this. When President Johnson proposed dropping that 91% income tax rate on the richest, again Eisenhower publicly asked him not to do this.

President Eisenhower was hardly a liberal. But, he did have common sense and love of country. He had seen hard times. During the Depression he had forced the "bonus army" out of Washington DC at the point of a bayonet. He had seen the extremes of fascism and communism as a military leader. He knew that the unemployed and poor often became the armies of extremism and revolution.

When President Reagan took office the top income tax rate on the richest was 79%. He dropped it to 29%. This was probably the largest tax shift in American history. The rich were able to shift the bulk of their tax responsibility onto the backs of middle and low income Americans. President Bill Clinton raised that rate back up to 35% and when he did unemployment fell nationwide. The stock market hit record highs. Then President George W. Bush cut the top rate again. By the end of Bush's presidency our nation suffered the highest unemployment rate of modern times.

Many historians and economists have cited the imbalance of wealth between the richest and everyone else as a major cause of the Great Depression. Now, the wealth disparity between the richest and everyone else is greater than during the Great Depression. As Warren Buffet, the second richest billionaire in the U.S. has said "There is a class war going on in America. My class against everyone else and sadly my class is winning."

You have the ability to start turning around this class war against working families. **You can increase Connecticut's income tax and capital gains surcharge on the richest earners. Surely this is better for our state than cutting services for the poor, the mentally ill, municipalities or higher education.** Thanks. I'd be happy to answer any questions.

'Dismal' prospects: 1 in 2 Americans are now poor or low income

By Associated Press
April 11, 2013 NBCNews.com
(Edited)

WASHINGTON - Squeezed by rising living costs, a record number of Americans — nearly 1 in 2 — have fallen into poverty or are scraping by on earnings that classify them as low income.

The latest census data depict a middle class that's shrinking as unemployment stays high and the government's safety net frays. The new numbers follow years of stagnating wages for the middle class that have hurt millions of workers and families.

"Safety net programs such as food stamps and tax credits kept poverty from rising even higher in 2010, but for many low-income families with work-related and medical expenses, they are considered too 'rich' to qualify," said Sheldon Danziger, a University of Michigan public policy professor who specializes in poverty.

"The reality is that prospects for the poor and the near poor are dismal," he said. "If Congress and the states make further cuts, we can expect the number of poor and low-income families to rise for the next several years."

Congressional Republicans and Democrats are sparring over legislation that would renew a Social Security payroll tax cut, part of a year-end political showdown over economic priorities that could also trim unemployment benefits, freeze federal pay and reduce entitlement spending.

Mayors in 29 cities say more than 1 in 4 people needing emergency food assistance did not receive it. Many middle-class Americans are dropping below the low-income threshold — roughly $45,000 for a family of four — because of pay cuts, a forced reduction of work hours or a spouse losing a job. Housing and child-care costs are consuming up to half of a family's income.

States in the South and West had the highest shares of low-income families, including Arizona, New Mexico and South Carolina, which have scaled back or eliminated aid programs for the needy. By raw numbers, such families were most numerous in California and Texas, each with more than 1 million.

About 97.3 million Americans fall into a low-income category, commonly defined as those earning between 100 and 199 percent of the poverty level, based on a new supplemental measure by the Census Bureau that is designed to provide a fuller picture of poverty. Together with the 49.1 million who fall below the poverty line and are counted as poor, they number 146.4 million, or 48 percent of the U.S. population. That's up by 4 million from 2009, the earliest numbers for the newly developed poverty measure.

- Study: 1 in 5 American children lives in poverty

Average U.S. family's wealth plunged 40% in recession, Fed says

The net worth of the median American family fell to $77,300 in 2010, down nearly 40% from 2007 after adjusting for inflation, the Federal Reserve reports.

June 11, 2012|By Don Lee, Los Angeles Times

WASHINGTON — The typical American family lost nearly 40% of its wealth from 2007 to 2010 as the Great Recession reduced household net worth to a level not seen since the early 1990s.

The net worth of the median U.S. family — one with an equal number of families richer and poorer — fell to $77,300 in 2010 from $126,400 three years earlier, after adjusting for inflation, the Federal Reserve said in a new report Monday.

The drop, much steeper than previous Fed quarterly reports have suggested, underscores the severity of the 2007-09 recession that decimated the housing market and resulted in massive layoffs that slashed people's incomes.

Although families have recovered some of the lost wealth in the last 18 months, the new 80-page Fed report shows that the financial shock hit them across the board — rich and poor, young and old, the well-educated and the less educated and those with and without children. The report also detailed incomes, debts and various assets owned by families.

The report comes at a time of growing concern about the U.S. economy as sputtering job growth has added to worries of a global slowdown, with Europe on the ropes and both China and India losing steam.

For President Obama, whose reelection could hinge on voters' assessment of their financial condition and changes, the new Fed data supports his frequent statement of the terrible economic situation that he inherited when he took office in early 2009. At the same time, the slow and halting recovery since mid-2009, when the recession officially ended, has left the president vulnerable.

The report showed that the biggest reduction in net worth, in percentage terms, affected young middle-age families, those headed by 35- to 44-year-olds. Their median net worth — total assets minus debts — dropped 54% to $42,100 over the period.

Only 47.6% of these families said they had saved money in 2010, the lowest of all age groups. Overall, 52% of families socked away money that year.

That is a stark change from 2001, when 62.3% of families headed by 35- to 44-year-olds reported having saved money that year, making their group the highest percentage savers among all age categories in the Fed's report.

Mark Zandi, chief economist atMoody'sAnalytics, suggested one possible reason for this dramatic decline: Many in this age group took advantage of easy subprime home loans.

"Lower- and middle-income households got especially creamed because their biggest asset is their home, and that got crushed," he said. "This reinforces how dizzying the decline was during the period."

Study: Connecticut's Spending on Public Services Low Compared with Other States

- March 15, 2011
- By: Richard Veilleux
- Category: Nation & World

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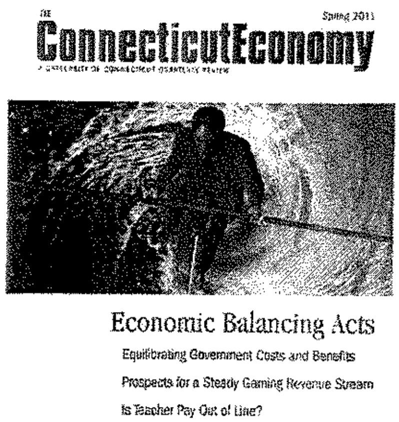

Although Connecticut has the nation's highest average per capita income at $41,300, the state is among the bottom four in the percentage of that income used to fund public services, according to a report in the latest edition of *The Connecticut Economy, a University of Connecticut Quarterly Review*.

In a study seeking to define the optimal amount of funding states should devote to public services without adversely affecting a state's economy, Steven P. Lanza, executive editor of the magazine, collected 16 years (1993-2008) of personal income statistics for the 50 states from the U.S. Bureau of Economic Analysis, and government spending data for the same period from the U.S. Census of Governments. He found that Connecticut under-spends on most government activities, including education and infrastructure, while spending more than the optimal amount on health care.

"Public spending in the Nutmeg state averaged just 17.6 percent of income in the years surveyed, more than six points below the optimal share," Lanza writes.

The right amount of spending on public services can actually benefit the economy, by helping the private sector grow, he says: "With such a lean public sector, Connecticut essentially forfeited an additional 1.2 percent in yearly income it would otherwise have earned, had it adopted the optimal mix."

That optimal mix, Lanza says, is 24 percent. The national average is 22 percent, still significantly higher than Connecticut's 17.6 percent.

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INSURANCE

Aetna CEO's Pay More Than Tripled Last Year

Most Of $36M Package From Stocks Vested

H C A8 4/9/13

By MATTHEW STURDEVANT
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The CEO of Aetna Inc., Mark T. Bertolini, had a 2012 pay package that more than tripled — nearly quadrupled — his compensation the year before, according to documents filed Friday with the U.S. Securities and Exchange Commission.

Bertolini was compensated a total of $36.36 million last year, not including $11.1 million in stock awards that vest later and are based on the company's performance.

Bertolini

The bulk of Bertolini's pay last year was $34.23 million in value from stocks vested and options exercised in 2012. He also received a $977,159 salary, $892,800 in non-equity incentives and $256,971 in "other compensation." This does not include an increase of $33,584 in his pension value.

In 2011, Bertolini was compensated $9.7 million, not including $7.3 million in stock awards.

"Bertolini received no salary increase in 2012 and his bonus was down 55 percent," Aetna spokeswoman Cynthia Michener said.

"The long-term stock payouts reported in 2012 actually include two years' worth of equity grants from prior years. No long-term equity grants are scheduled to pay out in 2013."

Chief Financial Officer Joseph M. Zubretsky was compensated $21.39 million, not including $4.5 million in stock awards that have a future value and depend on the company's performance.

Kristi Ann Matus, executive vice president of government services, was compensated $2.5 million, not including $3.8 million in stock awards that have a future value and depend on the company's performance.

Margaret M. McCarthy, executive vice president of operations and technology, was compensated $11.9 million, not including $2.75 million in stock awards that have a future value and depend on the company's performance.

Karen S. Rohan, who left her position as president of Magellan Health Services Inc. in June 2012 and became Aetna's executive vice president of specialty products, was compensated $693,661, not including $3.68 million in stock awards that have a future value and depend on the company's performance.

3/14/15 p-A7

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UTC: CHÊNEVERT'S RETIREMENT

CEO Left With $184M Package

Includes Restricted Stock Compensation

By BRIAN DOWLING
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In addition to a healthy eight figures of compensation from his final year as the chief executive of United Technologies, Louis Chênevert left the company with a retirement package valued at $184.3 million.

The sum includes his pension and previously restricted stock compensation accrued over his career, according to filings made Friday that included details of how the Hartford company paid its senior executives last year. The value is based on the company's share price at $115, a few points lower than the $118 a share it fetched Friday afternoon.

Chênevert

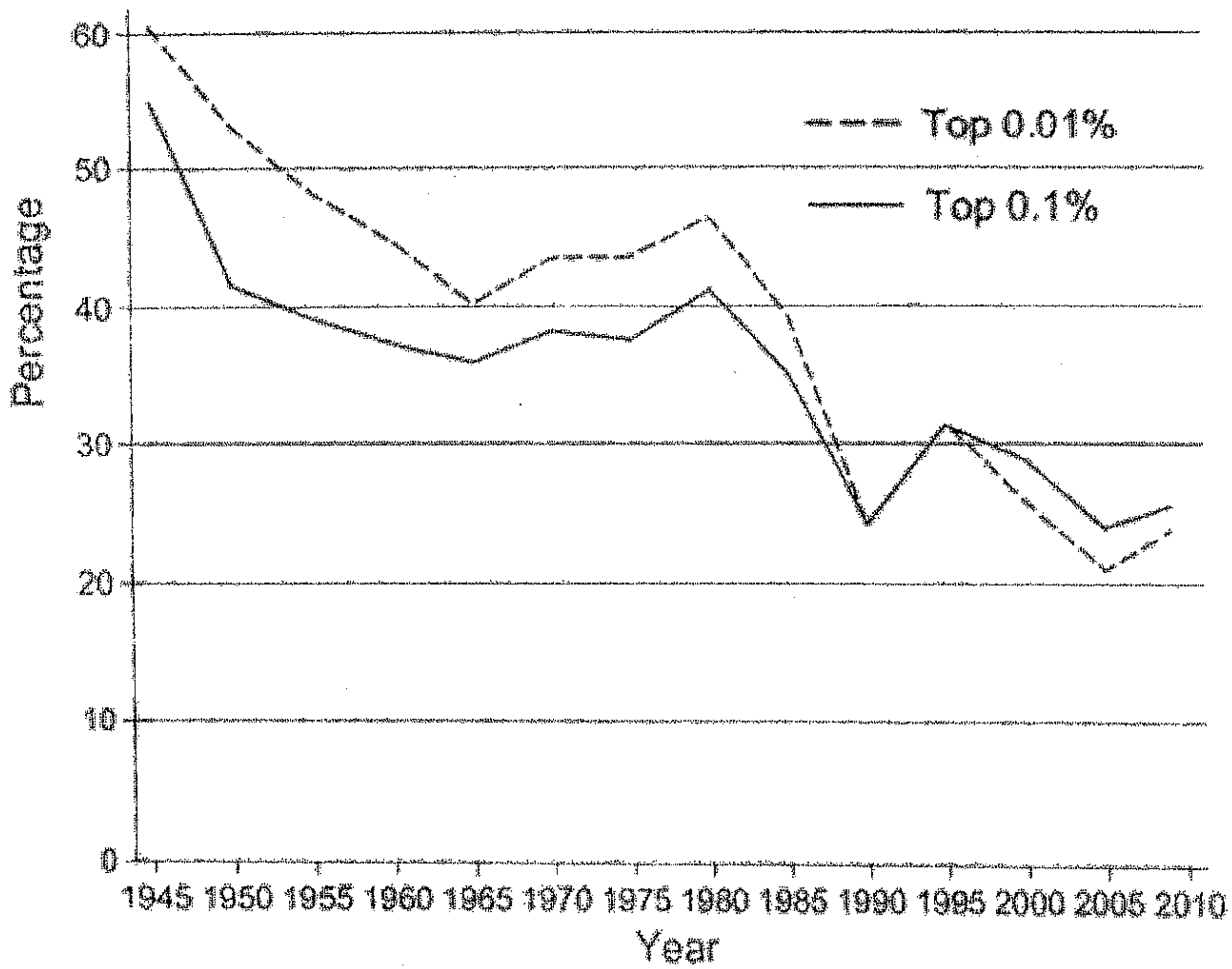
The large pay package to Chênevert was triggered by his voluntary retirement from the company.

Published reports have described his fall from the company's top job as the result of inattentiveness or a lack of focus that prompted an intervention from board members. Had he been terminated from the chief executive roll for cause, Chênevert would have received only his pension valued at $33.6 million.

His exit payment aside, Chênevert earned $32.3 million for his normal

EX-CEO, A8

Average Tax Rates for the Highest-Income Taxpayers, 1945-2009



Sources: CRS calculations using Internal Revenue Service (IRS) Statistics of Income (SOI) information.

November 26, 2006
EVERYBODY'S BUSINESS

In Class Warfare, Guess Which Class Is Winning

By BEN STEIN

NOT long ago, I had the pleasure of a lengthy meeting with one of the smartest men on the planet, Warren E. Buffett, the chief executive of Berkshire Hathaway, in his unpretentious offices in Omaha. We talked of many things that, I hope, will inspire me for years to come. But one of the main subjects was taxes. Mr. Buffett, who probably does not feel sick when he sees his MasterCard bill in his mailbox the way I do, is at least as exercised about the tax system as I am.

Put simply, the rich pay a lot of taxes as a total percentage of taxes collected, but they don't pay a lot of taxes as a percentage of what they can afford to pay, or as a percentage of what the government needs to close the deficit gap.

Mr. Buffett compiled a data sheet of the men and women who work in his office. He had each of them make a fraction; the numerator was how much they paid in federal income tax and in payroll taxes for Social Security and Medicare, and the denominator was their taxable income. The people in his office were mostly secretaries and clerks, though not all.

It turned out that Mr. Buffett, with immense income from dividends and capital gains, paid far, far less as a fraction of his income than the secretaries or the clerks or anyone else in his office. Further, in conversation it came up that Mr. Buffett doesn't use any tax planning at all. He just pays as the Internal Revenue Code requires. "How can this be fair?" he asked of how little he pays relative to his employees. "How can this be right?"

Even though I agreed with him, I warned that whenever someone tried to raise the issue, he or she was accused of fomenting class warfare.

"There's class warfare, all right," Mr. Buffett said, "but it's my class, the rich class, that's making war, and we're winning."