

TESTIMONY OF
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CONNECTICUT BUSINESS AND INDUSTRY ASSOCIATION
SUBMITTED TO THE
APPROPRIATIONS COMMITTEE
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LEGISLATIVE OFFICE BUILDING
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Good day. My name is Pete Gioia. I am the vice president and economist for the Connecticut Business and Industry Association (CBIA). CBIA represents about 10,000 firms, which employ about 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 would like to comment upon several bills before the committee.

Spending Cap

SB 128 An Act Concerning The Constitutional Spending Cap

The bill proposes to implement the constitutional cap in full and prevent emergency or other spending from being included in the cap calculation. We tentatively support such action. However, we are not clear that the language is structured to fully achieve those goals. That may need adjustment.

CBIA reminds the committee that spending reforms passed in 1991, including both the spending cap and biennial budgeting were part of a compromise that included adoption of a broad-based state personal income tax. In our minds and in the minds of our members the two

items –spending reforms and tax changes – are unequivocally linked. Eighty-one percent of the electorate in 1992 voted for the state spending cap, an unprecedented call for prudent state spending. Our business membership overwhelmingly supported this spending cap. Businesses trust in state government is closely linked to the state government promise to keep spending in check to the growth in personal income. This is substantiated by several surveys of the business community

Rainy Day fund

SB 294 and HB 5958

CBIA is always concerned about our budget reserve fund aka Rainy Day fund. Given the increasing volatility of our revenue stream and economic ups and downs we need to strengthen this fund and apply it prudently to supplant real shortfalls and not prop up unrealistic levels of spending.

Careful deliberation to increase the cap on the fund from the current 10 percent is probably needed given recent challenges. However, this needs to be carefully balanced with needs to use surplus funds to retire long term unfunded state indebtedness. What we should absolutely ensure is that any budget surpluses be used for the fund or debt retirement not added spending!

HB 5958 seeks to bolster revenues into the Rainy Day fund. CBIA has always been concerned that the state rarely builds a cushion into its budget and often spends every dollar. This bill may be away to limit additional pools of funds for spending and rather direct them to savings which has merit.

Municipal Mandates

HJ 19 Resolution Requiring a Two-Thirds Vote to Approve Mandates to Municipalities and School Districts

CBIA has perennially supported municipal mandate reform. Any mandate needs careful cost benefit scrutiny and needs to demonstrate compelling need before being enacted. Requiring a two-thirds vote of each house to pass any new local mandates will help make certain that any new mandate is a compelling need. We support the resolution.

Thank you for the opportunity to present this testimony.