March 19, 2018

Honorable Members of the Commerce Committee:

My name is Susan Pronovost and I am the Executive Director of the Connecticut Greenhouse Growers Association, a trade organization representing the interests of more than 300 greenhouse growing operations in Connecticut, some of whom are this country’s industry leaders. I would like to take this opportunity to offer some comments regarding S.B. 445 An Act Concerning Analysis of the Recommendations of the Commission on Fiscal Stability and Economic Growth.

The Connecticut greenhouse industry is the largest (42%) and most economically vibrant sector of Connecticut’s agricultural economy, which is between $3.3 billion and $4.0 billion¹, according to the most recently updated Economic Impacts of Connecticut’s Agricultural Industry, a study published by the University of Connecticut. The greenhouse industry is responsible for at least 10,000 jobs in the State of Connecticut and many of these positions are in sales, middle management, operations and facilities management, and automated systems.

Our greenhouse growers are manufacturers of plant products; they purchase raw materials, grow and package plant products, and ship their goods to wholesale customers located in Connecticut and throughout the Northeast, Mid-Atlantic, and Mid-Western states.

The members of this Association are pleased with the general direction of the report delivered by the Commission on Fiscal Stability and Economic Growth. We laud the efforts conducted by that Commission and its esteemed volunteers who dedicated their time and talent in proposing a framework for the resurgence of Connecticut’s economy by setting forth a plan that addresses measures to ensure fiscal stability, embraces challenges and provides answers to marketplace competition, and creates a template that the Governor and Legislature may utilize as a pathway towards sustained, long-term economic growth.
We do, however, have two concerns in this report that we would like to address. The first being the (proposed) FY 2020 elimination of approximately 14% of the value of exemptions and deductions from the state sales tax. Without a clear definition of what that 14% could consist of, we must strongly advocate for the continued tax exemption of the raw materials utilized in the greenhouse industry as part of the manufacturing process. The agricultural commodities that are produced and ultimately sold in retail outlets are subject to the Connecticut state sales tax and paid for by the consumer.

We urge caution because the potential addition of sales tax on the purchase of raw materials will doom this industry. As is the case with most agricultural businesses, our growers are working on small margins that often provide only enough profit to pay bills and buy supplies for the upcoming season. The addition of 6.35% in sales tax [or higher as has been suggested in this report] to cost when purchasing raw materials, agricultural supplies, and automated equipment will collapse the greenhouse industry by removing our members’ ability to compete in a crowded domestic and global marketplace. Most important - the taxation of raw materials in a manufacturing business would set a new precedent in the business community.

Our other concern is the Commission’s proposal to incrementally increase the minimum wage to $15.00 per hour by 2022 [and immediately to $11.00]. We appreciate and support the right of working families to achieve economic success. Our concern is related to entry-level workers – many of whom are seasonal youth who work at our members’ facilities as their “first job”. Raising the salary “floor” for entry level positions meant for adolescents on a seasonal basis will have repercussions on the rest of the workforce, forcing employers to similarly raise the compensation “ceiling” for its more senior, tenured staff.

This recommendation to increase the minimum wage appears to be slightly contradictory with the Commission’s Report. Specifically, page 16 addresses, “Ease and Cost of Doing Business: Starting and running a business in the state presents many challenges, including regulations and high costs in general, such as high cost for labor, electricity prices and other critical business expenses”. The Commission acknowledges the high cost for labor in Connecticut; we ask for flexibility for seasonal and entry level positions to maintain those costs within reasonable boundaries. We will acknowledge that the Commission did note that some special circumstances may exist to this
incremental increase; we hope this Honorable Committee will take seasonal agricultural positions into consideration.

Connecticut’s greenhouse industry was founded by families with strong ties to this state. Those ties and the affections of their heirs are waning in the face of competition from southern states where there are fewer regulatory issues and it is far cheaper to produce the quantity and variety of products that are produced in Connecticut. Our growers are standing at a precipice from which we might not recover.

In closing we ask that this Committee truly consider our concerns as they relate directly to marketplace competitiveness and the business costs of conducting entrepreneurial businesses in Connecticut. Our members manufacture the highest quality plant products in the United States, however each greenhouse producer faces a very uncertain future.

Thank you for this opportunity to present our views on the greenhouse industry and its ability to remain competitive in the domestic and global marketplace.

Sincerely,

Susan G. Pronovost
Executive Director

1 Economic Impacts of Connecticut’s Agricultural Industry 2015 – Updated
University of Connecticut, Zwick Center for Food and Resource Policy