Fixing Connecticut

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1.24.2018
Fixing Connecticut

• Perspectives: Last 30 Years
• Connecticut’s Economy in 2018
• Fiscal Stability
• Economic Growth
Perspectives: Last 30 Years

• Lessons from the early 1990s recession
  – State lost 165,000 jobs (more than 2008-2010 recession)
  – Recovered all those jobs, partly through policy changes (workers’ compensation reforms, taxes)
• Eight years after last recession ended, recovered just 76% of 119,100 jobs lost
Post-Recession Jobs Recovery in New England


Source: U.S. Bureau of Labor Statistics
Post-Recession Job Growth

Source: U.S. Bureau of Labor Statistics

- United States
- New England
- Connecticut

- 2011: 1.6%
- 2012: 1%
- 2013: 0.8%
- 2014: 1.4%
- 2015: 1.2%
- 2016: 0.5%
- 2017: 0.5%
New England Unemployment Rates
December 2017

Source: U.S. Bureau of Labor Statistics
Perspectives: Last 30 Years

• What drove job losses?
  – Lack of fiscal stability
  – High business costs
  – Declining confidence in state government
  – Aggressive competition from other states, countries (and out-of-state affiliates, operations)
Perspectives: Last 30 Years

• What drove job gains?
  – Major workers’ compensation reforms
  – Greater fiscal stability
  – Legislature’s more pro-growth attitude
Connecticut’s Economy in 2018

• Economic growth lags region, state
• Anemic job growth
• Lack of confidence remains an issue
• Positive manufacturing signs, should drive growth in other sectors
Connecticut’s Economy in 2018

• Most CBIA members report doing fairly well
  – Majority of growth coming from out-of-state operations
• High-growth states don’t have Connecticut’s fiscal problems
  – Can focus more resources on talent, infrastructure
  – Further erodes our competitiveness
Quarterly GDP Growth, 2016–2017

Source: U.S. Bureau of Economic Analysis
Source: CBIA/BlumShapiro 2017 Survey of Connecticut Businesses
Top five factors hampering business growth

- High cost of living: 78%
- Uncertainty and unpredictability of legislative decision-making: 72%
- High state business tax rates: 69%
- Additional business costs from government mandates, other than taxes: 68%
- Inadequate skilled job applicants: 55%

Source: CBIA/BlumShapiro 2017 Survey of Connecticut Businesses
Forbes 2017 Best States for Business

#41 Business Costs
#33 Labor Supply
#42 Regulatory Environment
#42 Economic Climate
#43 Growth Prospects
#5 Quality of Life

Connecticut

2016 Rank

#42
#43

0.5% Job Growth (2017)
9% Cost of Doing Business (Above nat’l average)
38.3% College Attainment
-12,800 Net Migration (2016)
A1 Moody’s Bond Rating
2016 CONNECTICUT POPULATION LOSSES

-37,328 Residents
-7,818 25-39 year-olds
-3,976 Top earners
-8,861 College graduates

Source: U.S. Census Bureau, Hartford Courant
Recovery Prescription

• Economic competitiveness must be top priority for policymakers
• Connecticut’s economy can no longer be a zero sum game
• Change can come quicker than expected
  – Depends on willingness to make right policy choices
Fiscal Stability

- Short, long-term fiscal challenges
- Addressing them requires difficult decisions
- Key for restoring business confidence
Changes in State Spending
FY 2010–FY 2017

Source: Office of Fiscal Analysis

- Debt Service ($2.11B–$2.47B) 17%
- Corrections ($1.57B–$1.42B) -10%
- Retiree Health ($528M–$731M) 38%
- General Budget Expenditures ($18.64B–$19.74B) 6%
- Pensions ($504M–$1.15B) 128%
State Retiree Pension, Healthcare Costs: Growth Trends

Source: Office of Fiscal Analysis

- Pension costs*
- Healthcare costs

*Does not include teacher pensions

FY 2006 to FY 2020
Wage & Benefit Differentials: Public Sector vs. Private Sector

Source: American Enterprise Institute
YOU OWE: $23,294
TO PAY OFF UNFUNDED PENSION LIABILITIES

Source: U.S. Census Bureau, Mercatus Center at George Mason University
Fiscal Stability

• SEBAC contract changes needed in 2027…or sooner
  – Eliminate overtime in pension calculations
  – Switch to defined contribution plans for all new hires
  – Eliminate post-retirement medical benefits
  – Increase retirement age from 62 to 65, index based on life expectancy changes
  – Increase pension contributions, cap annual payouts
Fiscal Stability

• End collective bargaining for pensions, benefits (one of only four states)
• Adopt zero-based budgeting
• Dedicated funding stream to pay down crippling unfunded liabilities
• Expand use of quality non-profit agencies
• Foster regionalization of municipal services
Economic Growth

• Administration, legislative leaders must make growth the top priority
  – Bipartisan support required for economic policy
  – Need long-term solutions, not Band-Aids
• Develop viable funding sources for transportation investments
  – Protecting transportation funds essential
Economic Growth

• Cut business costs, drive competitiveness
  – Immediate policy shifts on workplace mandates, regulations, energy

• Continue streamlining state government, including additional agency consolidations, privatization

• Support entrepreneurial programs that drive business starts, innovation

• Expand workforce development initiatives, focus on 21st century skills