Commission on Fiscal Stability and Economic Growth
The Charge to the Commission:

“Develop and recommend policies to achieve state government fiscal stability and promote economic growth and competitiveness within the state. Study and make recommendations regarding state tax revenues, tax structures, spending, debt, administrative and organizational actions and related activities, to:

(1) achieve consistently balanced and timely budgets that are supportive of the interests of families and businesses and the revitalization of major cities within the state, and

(2) materially improve the attractiveness of the state for existing and future businesses and residents.”
Results to Date:

- 14 Commissioners were appointed, effective December 15, 2017, eight by Governor Malloy, including the Co-chairs and Vice-chair, and six, one each, by the legislative leadership
- Mandated vote by committees / legislature on Commission’s recommendations
- Commission members are private sector appointees from varied backgrounds and are diverse in gender, age, ethnicity, race and geography
- Commission held eight public hearings and heard from over 40 witnesses
- Reviewed thousands of pages of submitted testimony and research
- Report completed in 76 days on time, delivered on March 1
- Complimentary review by Governor
- Wide support from editorial boards throughout the state
- Extensive hearings and meetings with legislative leaders and most members of the General Assembly
- Dozens of external speaking engagements
A “strawman” vision for CT
A long-term vision is required to propel our state back to greatness...

Target CT economic growth rate of 3%+ (vs. flattish today)

Raise key competitiveness factors from bottom quartile to above median within 3-5 years and achieve top quartile competitiveness by 2025

Achieve Sustainable High Quality of Life For All Connecticut Residents

Achieve fiscal stability
  — Sustainably balanced budget
  — Manageable debt levels & unfunded liabilities

Maintain critical services while protecting vulnerable populations

Commission recommends short-term, medium-term and long-term actions that will enable improved competitiveness and higher growth
Connecticut’s Burning Platform

Commission on Fiscal Stability and Economic Development
Connecticut’s Economy Has Shrunk By 9.1% Over 10 Years, In Contrast to Our Neighbors

- Adjusted for inflation Connecticut’s economy is the same size as in 2004
- Connecticut real GDP down 9 out of the past 10 years (year over year)
- Connecticut’s 2017 shrinkage of 0.2% ranked 49th nationally

Source: Bureau of Economic Analysis, Gross State Product
Connecticut’s Population Growth Remains Flat

- Zero population growth contributing to double digit year over year decline in new home construction and permits in 2017

<table>
<thead>
<tr>
<th>State</th>
<th>Population Projections Indexed to 2006</th>
<th>CAGR ‘16-’26</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>MA</td>
<td></td>
<td>0.5%</td>
</tr>
<tr>
<td>NJ</td>
<td></td>
<td>0.1%</td>
</tr>
<tr>
<td>NY</td>
<td></td>
<td>0.0%</td>
</tr>
<tr>
<td>CT</td>
<td></td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Source: US Census, American Community Survey, BLS
Connecticut’s personal income grew at the slowest pace among Neighboring States in 2017

- From 2012 – 2016 Connecticut personal income growth ranked 33rd to 49th

**Percent change in personal income, 2016 – 2017**

<table>
<thead>
<tr>
<th>State</th>
<th>2016-2017 Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Hampshire</td>
<td>3.5%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>3.3%</td>
</tr>
<tr>
<td>All U.S.</td>
<td>3.1%</td>
</tr>
<tr>
<td>New York</td>
<td>2.9%</td>
</tr>
<tr>
<td>Maine</td>
<td>2.7%</td>
</tr>
<tr>
<td>All New England</td>
<td>2.7%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>2.5%</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>2.4%</td>
</tr>
<tr>
<td>Vermont</td>
<td>2.1%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

- CT ranked 44th in nation for 2017
- Excluding dividends and government transfer payments:
  - United States: 3.3%
  - CT: 0.1% - 2nd worst in nation

Source: U.S. Bureau of Economic Analysis; WSJ: The Regressive State of America
Our growth has slowed as our competitiveness has diminished

**CT GDP growth rate**
% change from preceding period

- **Pre-recession**
  - US Avg: 2.5%
  - CT Avg: 3.0%

- **Recession**
  - US Avg: (0.3%)
  - CT Avg: (2.0%)

- **Recovery**
  - US Avg: 1.9%
  - CT Avg: (0.3%)

1 Each year represents the calculation between two years. For example, "1999" was calculated between "1999-2000"

SOURCE: Bureau of Economic Analysis
* Beacon Hill Competitiveness Rankings

- **8th* 2001**
- **21st* 2008**
- **43rd* 2016**

Connecticut's Beacon Hill Competitiveness Rankings

-US CT Year^1
Despite achieving a bipartisan budget in 2017, significant out year deficits loom

Connecticut State Forecasted Budget Balances ($ in millions)

- **FY18**: ($182)
- **FY19**: ($317)
- **FY20**: ($556)
- **FY21**: ($3,001)
- **FY22**: ($3,509)

**Increase in Fixed General Fund Costs**

- **Structural Revenue Issues: $1,231**
  - Other Structural Revenue Issues
  - Reversal of One-Time Fund Transfers
  - Hospital Tax Reduction

Source: FY18-19 Biennial Budget, January 2018 Consensus Revenue Estimates, January 2018 OPM Budget Estimates, OFA Out Year Estimates
Fixed expenditure growth is accelerating and is crowding out important spending and investment

## Projected General Fund Expenditure Growth

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual FY06</th>
<th>FY17</th>
<th>Projected FY20</th>
<th>Annual Growth '06 to '20</th>
<th>'17 to '20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>$884</td>
<td>$2,161</td>
<td>$2,640</td>
<td>8.1%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Retiree Healthcare</td>
<td>$411</td>
<td>$751</td>
<td>$1,077</td>
<td>7.1%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$1,306</td>
<td>$2,076</td>
<td>$2,410</td>
<td>4.5%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Entitlement Programs</td>
<td>$2,813</td>
<td>$3,787</td>
<td>$4,322</td>
<td>3.1%</td>
<td>4.5%</td>
</tr>
<tr>
<td><strong>General Fund Fixed Expenditures</strong></td>
<td><strong>$5,420</strong></td>
<td><strong>$8,796</strong></td>
<td><strong>$10,458</strong></td>
<td><strong>4.8%</strong></td>
<td><strong>5.9%</strong></td>
</tr>
</tbody>
</table>

Projected average annual fixed expenditure increases of 5.9% from FY 2017 to 2020

---

Source: OFA Fiscal Accountability Report FY17 – FY 20, Connecticut CAFR, 2017

(1) Fixed cost data from OFA Fiscal Accountability Report dated Nov 15, 2016 and is not reflective of enacted budget and projections.
(2) FY06 General Fund revenues and expenditures based on gross funding of Medicaid (includes both federal and local portion).
(3) FY17 General Fund fixed expenditures per OFA Fiscal Accountability Report FY17 – FY20. FY17 total General Fund expenditures and revenues per 2017 State Comptroller’s Annual Report. Includes Medicaid and other services provided by the Department of Social Services, Department of Children and Families, Department of Mental Health and Addiction Services, and Office of Early Childhood.
Fixed costs have grown to over 50% of the general fund.

General Fund Fixed vs. Discretionary Costs (% of General Fund Expenditures)

Expenses growing much faster than revenues

- Growth in fixed expenses is overwhelming commendable progress in discretionary expenditures controls, and revenue growth is slowing

Projected General Fund Expenditure and Revenue Growth\(^1\)

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual FY06(^2)</th>
<th>Actual FY17(^3)</th>
<th>Projected FY20</th>
<th>Annual Growth '06 to '20</th>
<th>Annual Growth '17 to '20</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Fixed Expenditures</td>
<td>$5,420</td>
<td>$8,796</td>
<td>$10,458</td>
<td>4.8%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Discretionary Expenditures</td>
<td>$9,080</td>
<td>$8,967</td>
<td>$9,251</td>
<td>0.1%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Total General Fund Expenditures</td>
<td>$14,500</td>
<td>$17,763</td>
<td>$19,709</td>
<td>2.2%</td>
<td>3.5%</td>
</tr>
<tr>
<td>General Fund Revenues</td>
<td>$14,999</td>
<td>$17,703</td>
<td>$17,510</td>
<td>1.1%</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>

A 3% expense / revenue delta increases the deficit by over $500M annually

---


(1) Fixed cost data from OFA Fiscal Accountability Report dated Nov 15, 2016 and is not reflective of enacted budget and projections.

(2) FY06 General Fund revenues and expenditures based on gross funding of Medicaid (includes both federal and local portion).

(3) FY17 General Fund fixed expenditures per OFA Fiscal Accountability Report FY17 – FY20. FY17 total General Fund expenditures and revenues per 2017 State Comptroller’s Annual Report.
CT’s unfunded liabilities are growing 3x faster than the economy over the last 15 years

- The State’s $86 billion of total liabilities would increase to nearly $100 billion if the State’s pension systems reduced their investment return assumption to 6%\(^1\)

### Total Liabilities\(^2\) ($ billions)

- $85.5B as of 6/16

### Unfunded Liabilities

- **Unfunded Pension** $33.8
- **GO Debt** $17.4
- **Non-GO Debt** $10.6
- **Unfunded Other Post Employment Benefits (OPEB)** $21.9
- **Other** $1.9

### State Employees

- $20.4

### Teachers

- 13.1

### Judicial

- 0.2

### Total

- $33.8

- **Debt service to revenue ratio of 13.3% is highest in the US\(^3\)**
  - 3.0x US mean / 3.2x US median

- **Moody’s adjusted net pension liability (ANPL) is 20.4% of GDP, 3\(^{rd}\) highest in the US\(^3\)**
  - 2.8x US mean / 4.2x US median

- **Pension contributions and debt service at 26.5% of revenue is highest in the US\(^3\)**
  - 3.0x US mean / 3.6x US median

- **Net tax supported debt as a % of personal income is 9.7%, 3\(^{rd}\) highest in the US\(^3\)**

---

\(^1\) Sensitivity analysis of pension liabilities per The Pew Charitable Trusts.


\(^3\) Moody’s Investor Service. These ratios have been calculated based on Moody’s definitions of debt, pension liabilities, debt service, contributions and own-source governmental revenues (revenues less federal funding), and in most cases will differ from a state’s own published calculations or the calculations of other institutions.
Escalating required pension contributions, especially for TRS, exacerbate the State’s fiscal challenges

- Utilizing the current discount rate of 8% for TRS, total annual contributions reach $4.7B in 2032

Projected Annual Pension Contributions (excl. JRS) ($ in billions)\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>SERS Contributions</th>
<th>TRS Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$2.7</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$2.9</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$3.2</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$3.4</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>$3.6</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>$4.0</td>
<td>$1.9</td>
</tr>
<tr>
<td>2024</td>
<td>$4.1</td>
<td>$1.9</td>
</tr>
<tr>
<td>2025</td>
<td>$4.2</td>
<td>$1.9</td>
</tr>
<tr>
<td>2026</td>
<td>$4.2</td>
<td>$1.9</td>
</tr>
<tr>
<td>2027</td>
<td>$4.3</td>
<td>$1.9</td>
</tr>
<tr>
<td>2028</td>
<td>$4.3</td>
<td>$1.9</td>
</tr>
<tr>
<td>2029</td>
<td>$4.4</td>
<td>$1.9</td>
</tr>
<tr>
<td>2030</td>
<td>$4.5</td>
<td>$1.9</td>
</tr>
<tr>
<td>2031</td>
<td>$4.6</td>
<td>$1.9</td>
</tr>
<tr>
<td>2032</td>
<td>$4.7</td>
<td>$1.9</td>
</tr>
<tr>
<td>2033</td>
<td>$2.1</td>
<td>$1.9</td>
</tr>
<tr>
<td>2034</td>
<td>$2.0</td>
<td>$1.9</td>
</tr>
<tr>
<td>2035</td>
<td>$2.0</td>
<td>$1.9</td>
</tr>
<tr>
<td>2036</td>
<td>$2.0</td>
<td>$1.9</td>
</tr>
<tr>
<td>2037</td>
<td>$1.9</td>
<td>$1.9</td>
</tr>
<tr>
<td>2038</td>
<td>$1.9</td>
<td>$1.9</td>
</tr>
<tr>
<td>2039</td>
<td>$1.9</td>
<td>$1.9</td>
</tr>
<tr>
<td>2040</td>
<td>$1.9</td>
<td>$1.9</td>
</tr>
<tr>
<td>2041</td>
<td>$1.9</td>
<td>$1.9</td>
</tr>
<tr>
<td>2042</td>
<td>$1.9</td>
<td>$1.9</td>
</tr>
<tr>
<td>2043</td>
<td>$1.9</td>
<td>$1.9</td>
</tr>
<tr>
<td>2044</td>
<td>$1.9</td>
<td>$1.9</td>
</tr>
</tbody>
</table>

\(^1\) The Pew Charitable Trusts, State Office Policy Management, May 2017 SEBAC Agreement
Connecticut would need to spend 35 cents of every dollar of revenue to fund obligations amortized over 30 years

- Connecticut spent ~21% of state revenues to fund debt, pension and OPEB liabilities in FY 2015
- 35% of revenue needed to fund debt and legacy pension and OPEB liabilities on an accrual basis over 30 years, assuming an illustrative 6% return on plan assets

Percent of state revenue collections required to pay the sum of interest on bonds, the state's share of unfunded pension and retiree healthcare liabilities, and defined contribution plan payments

Source: The ARC and the Covenants 2.0, J.P. Morgan Asset Management; State/Pension Plan Comprehensive Annual Financial Reports; Census; Loop Capital Markets. FY 2015.

1 Accrual basis expenditures include payments of benefits that have accrued even if cash payment for such benefits is not yet due.
Connecticut’s taxes are higher than US averages

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>CT Rate</th>
<th>US Avg.</th>
<th>CT Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Income Tax&lt;sup&gt;1&lt;/sup&gt;</td>
<td>7.5%</td>
<td>6.2%</td>
<td>33&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>6.4%</td>
<td>5.1%</td>
<td>39&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Personal Income Tax&lt;sup&gt;2&lt;/sup&gt;</td>
<td>6.7% (now 6.99%)</td>
<td>5.5%</td>
<td>35&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Property Tax&lt;sup&gt;3&lt;/sup&gt;</td>
<td>1.5%</td>
<td>1.1%</td>
<td>40&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Estate Tax&lt;sup&gt;4&lt;/sup&gt;</td>
<td>12%</td>
<td>4.3%</td>
<td>38&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

“...CT aggregate state tax burden is the 5<sup>th</sup> highest in the country…”
– Tax Policy Center<sup>5</sup> (2015)

1 Represents the highest marginal corporate tax rate
2 State and Local Sales Tax Rates in 2017, Tax Foundation
3 State Individual Income Tax Rates and Brackets for 2017, Tax Foundation (Highest Marginal Tax Bracket)
4 Mean Effective Property Taxes on Owner-Occupied Housing, Tax Foundation 2015
5 Tax Foundation data

SOURCE: Federation of Tax Administrators (2016); U.S. Census, Hartford Courant
Migrants to CT earn less than those who leave CT

<table>
<thead>
<tr>
<th>Source region</th>
<th>Average Income$^2$</th>
<th>Destination region</th>
<th>Average Income$^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of total households</td>
<td></td>
<td>% of total households</td>
<td></td>
</tr>
<tr>
<td>CA</td>
<td>$101</td>
<td>6%</td>
<td>$112</td>
</tr>
<tr>
<td>NJ</td>
<td>$101</td>
<td>4%</td>
<td>$95</td>
</tr>
<tr>
<td>FL</td>
<td>$56</td>
<td>8%</td>
<td>$87</td>
</tr>
<tr>
<td>MA</td>
<td>$73</td>
<td>12%</td>
<td>$87</td>
</tr>
<tr>
<td>NY</td>
<td>$123</td>
<td>30%</td>
<td>$112</td>
</tr>
<tr>
<td>Average</td>
<td>93</td>
<td></td>
<td>123</td>
</tr>
</tbody>
</table>

1 Number of returns filed approximates the number of households that migrated
2 Adjusted Gross Income as reported to the IRS
SOURCE: Internal Revenue Service (2015-2016)
At the same time, a series of tax increases has correlated with significant outmigration.

**Historical Net Migration in Connecticut (# of people)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>08</th>
<th>09</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2,873</td>
<td>3,758</td>
<td>4,058</td>
<td>7,044</td>
<td>1,727</td>
<td>3,971</td>
<td>2,723</td>
<td>8,846</td>
<td>10,507</td>
<td>8,228</td>
</tr>
</tbody>
</table>

**Key events**

- Income tax bracket added for high earners; corporate surcharge added for large firms (2009)
- Number of brackets, top income tax rate, and corp. surcharge increased (2011)
- Top income tax rate increased (2015)
- Several high profile corporate departures (e.g. GE) (2016 - 2017)


Connecticut has a Mismatch of Labor Supply and Demand

- Connecticut has recovered only 80% of the jobs lost in the Great Recession vs. 200% recovery nationally...a relative shortfall of 142,000 jobs or ~8.5% of the workforce

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction and Extraction</td>
<td>12.5</td>
<td>7.0</td>
<td>0.6</td>
</tr>
<tr>
<td>Cleaning and Maintenance</td>
<td>4.1</td>
<td>4.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Production</td>
<td>2.9</td>
<td>5.9</td>
<td>2.1</td>
</tr>
<tr>
<td>Education, Training, and Library</td>
<td>1.0</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Office and Admin. Support</td>
<td>1.0</td>
<td>9.3</td>
<td>9.7</td>
</tr>
<tr>
<td>Architecture and Engineering</td>
<td>0.3</td>
<td>0.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Computer and Mathematical</td>
<td>0.2</td>
<td>1.3</td>
<td>6.9</td>
</tr>
<tr>
<td>Healthcare Practitioners</td>
<td>0.1</td>
<td>1.5</td>
<td>19.1</td>
</tr>
</tbody>
</table>

Source: EMSI and BLS data
The Bridgeport-Stamford Metro Area had 37.1 million hours of traffic delay in 2014, up 400% from 1980

- Highway, airway, rail and port all suffer from underinvestment
- Infrastructure issues cause aggravation and disincentivize business investment
- The backbone of Connecticut’s economy needs major capital investment to maintain even current inadequate service levels
- The Special Transpiration Fund (STF) must have a steady, reliable revenue stream in order to commit to longer term investments

**Millions of Hours of Delay Annually: Bridgeport-Stamford Metro Area**

Source: Texas A&M Transportation Institute
Connecticut cities’ reliance on property taxes generates insufficient revenues to develop vibrant urban cores that are critical to the state’s economic growth and well-being

- Our Cities are Challenged by Several Structural Factors:
  - Relatively small, little regional support
  - Provide services to the region without sufficient compensation
  - Uniquely burdened by concentration of tax exempt property
  - High property taxes, making it hard to compete for businesses and residents

### The Cost of Living in Cities is Higher in Connecticut¹

<table>
<thead>
<tr>
<th>City</th>
<th>Rank</th>
<th>Average Cost of Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stamford, CT</td>
<td>141</td>
<td>253</td>
</tr>
<tr>
<td>CT Average</td>
<td>125</td>
<td>237</td>
</tr>
<tr>
<td>New Haven, CT</td>
<td>118</td>
<td>233</td>
</tr>
<tr>
<td>Hartford, CT</td>
<td>115</td>
<td>156</td>
</tr>
<tr>
<td>Austin, TX</td>
<td>96</td>
<td>92</td>
</tr>
<tr>
<td>Tampa, FL</td>
<td>92</td>
<td>82</td>
</tr>
<tr>
<td>Winston-Salem, NC</td>
<td>91</td>
<td></td>
</tr>
</tbody>
</table>

¹ National Association of Realtors (2015)
Key Recommendations
Commission Recommended a Pro-Growth, Revenue Neutral Rebalancing of State Taxes

- Commission Recommended:
  - Lower personal income tax rates for all filers
  - Offset by higher sales tax revenue including base broadening
  - Eliminate the gift and estate tax now, offset by increase in business taxes
  - Allow municipalities the power to charge fees, to impose payments for Services in Lieu of Taxes (SILOTS) on nonprofits

- Legislature Enacted:
  - Created a new private panel to study and make recommendations by January 1st 2019 to rebalance the state’s tax mix in order to better stimulate economic growth without raising net new taxes
Commission Recommended a Study on Revenue and Expense Optimization to save $1B in the General Fund

- Commission Recommended:
  - Save $1B in the General Fund through:
    - Efficiency improvements
    - Enhanced effectiveness in revenue collection
    - Increased privatization of services
  - Without damaging program quality or the social safety net

- Legislature Enacted:
  - Authorize a consultant-led study of opportunities to save $500M in the General Fund through efficiency/excellence gains in both revenue collection and expense management
Commission Recommended Restructuring the Teachers’ Retirement System to Reduce Unfunded Liabilities

- Commission Recommended:
  - Contribution of net lottery proceeds improves funded ratio and reduces annual required contribution
  - Existing debt to be re-amortized as currently allowed in 2025
  - Move to hybrid DB/DC plan for new and unvested teachers
  - Shared risk on investment returns, higher Teacher contributions

- Legislature Enacted:
  - Study Commission’s framework for reform of the Teachers’ Retirement System with proposals by January 1, 2019, including:
    - 30 year Lottery contribution, debt re-amortization, hybrid DB/DC plan with risk sharing on investment returns
4 Rebalance Labor Arrangements [Did not address]

- Move the definition of retirement benefits and funding policies for state and municipal employees from collective bargaining to the legislature and local governing bodies (in 2027 or upon reopening of SEBAC)

- Require Comptroller to certify appropriateness of financial and investment return assumptions

- Change binding arbitration procedures at both state and municipal levels to permit compromise awards (instead of “last best offer”) and selection of single neutral arbitrator

- Appoint a private panel of experts to analyze the competitiveness of 2017 SEBAC agreement both within the tiers and compared to other states and to private plans

- Require coalition collective bargaining for shared services arrangements among towns
5 **Raise the Minimum Wage [No Action Taken]**
- Increase to $15/hour in annual steps by 2022
  - Variations based on age, seasonality and full/part time status

6 **Modify the legislature’s budget management process [Did Not Address]**
- Legislature to hire an expert consultant to study improvements in budget process including:
  - Creation of a Joint Budget Committee
  - Whether changes are needed in compensation
  - Session length and other legislative processes
- Postpone effective date of bond covenant **[Reduced term from 10 to 5 years]**
Reserve $50M in FY 2019 and $100M in FY 2020 in bond funding for:

- Expansion of CRDA concept to two additional cities
- Seed funding for a new city-based STEM campus developed in a joint venture with a major research university
Increase Funding for the Special Transportation Fund

- Raise gas tax by 7 cents over 4 years
- Retain the half cent in sales tax now contributed from the General Fund
- Approve tolls in principle, subject to Legislative approval of an acceptable plan
- Prioritize / deprioritize projects based on economic impact
- Acceleration of new car sales tax directed into the STF

[Legislature increased annual bonding to $1B]
The Governor or Legislature to Establish a Red Tape Commission [No Action Taken]

- The goal is to reduce / rationalize existing regulations, as well as set guidelines for future regulations

- To support this effort, a zero-based regulatory policy should be established – any new regulations must be offset by eliminating old ones

Undertake a Series of Growth Initiatives, Led by the Executive Branch, with the Funding and Support from the Legislature to: [No Action Taken]

1. Develop and retain the workforce Connecticut needs
2. Support the growth of Connecticut’s highest-potential economic sectors
3. Transform the business environment for entrepreneurship and innovation
General Fund Surplus / Deficit Projections – Current Policy

Source: Revenues – Comptroller’s Open Budget FY12 – FY17; OPM Consensus Revenue January 2018 | Expenses – OFA Fiscal Accountability Report FY17 – FY20 & October Out Year Estimates
Key Assumptions: Fixed costs are growing at an average of ~5.5% each year; Total General Fund expenses growing at 3% in future years past 2022
Commission Plan

General Fund Surplus / Deficit Projections – Commission Plan

Source: Revenues – Comptroller’s Open Budget FY12 – FY17; OPM Consensus Revenue January 2018 | Expenses – OFA Fiscal Accountability Report FY17 – FY20 & October Out Year Estimates; CT Tax Expenditure Report February 2018
Key Assumptions: All Tax changes are implemented in 2020 | Payroll Tax – OPM Population data; CT SBA Office of Advocacy
Commission Plan – Growth Assumption

General Fund Surplus / Deficit Projections – Commission Plan (Growth Assumption)

Source: Revenues – Comptroller’s Open Budget FY12 – FY17; OPM Consensus Revenue January 2018 | Expenses – OFA Fiscal Accountability Report FY17 – FY20 & October Out Year Estimates; CT Tax Expenditure Report February 2018

Key Assumptions: All Tax changes are implemented in 2020; Payroll Tax – OPM Population data; CT SBA Office of Advocacy; Assume the pro-growth tax initiatives enable roughly 3% increased basis growth each year achieving our goal of a 3% – 3.5% Average GSP in 5-10 years
CBIA: “Lawmakers should move Fiscal Stability Commission Recommendations Forward”

- "The commission has since refined its initial set of recommendations into a concise, comprehensive list of proposals that demand serious consideration by the entire General Assembly”

- “Connecticut's fiscal and economic challenges are not going to go away and they only get worse with inaction”

- "The state's fiscal problems make it increasingly difficult to find the resources to invest in education, infrastructure, and other areas that are necessary to make our great state fully competitive.”

- Other endorsements from:
  
  Multiple Chambers of Commerce

Commission on Fiscal Stability and Economic Development
Next Steps:

- Make the “burning platform” a theme of the 2018 election campaigns at all levels, and a referendum on proposals for reform

- Carry over proposals into next Legislative session