

**Commission on Economic Competitiveness**

**MEETING MINUTES**

**Friday, November 18, 2016**

**9:30 AM IN ROOM 2D OF THE LOB**

**I. CONVENE MEETING:**

**The meeting was called to order at 9:40 AM by Chairman Rep. Tong.**

**The following commission members were present:**

Rep. William Tong, Joseph McGee, Commissioner Catherine Smith, Commissioner Kevin Sullivan, Rep. Cristin McCarthy Vahey, Seth Ruzi, Sen. Joan Hartley, Rep. Fred Camillo, Rep. Chris Davis, Rep. Jeffrey Berger, Heather Somers, Rodney Williams, Steven Glazer, Henry Teskey, Joseph Brennan, Ellen Shemitz, Jeffrey Hyde, Jennifer Berigan for Lori Pelletier

**Absent were:**

Sen. John Fonfara (in district commitment), Senator Scott Frantz (in district commitment), Rep. Chris Perone (attending out of state taxation task force), Matthew McCooe (work commitment)

**II. REMARKS BY THE CHAIRS:**

**A. Review of recent presentations**

The co-chairs reviewed the three main groups of presentations that the commission has heard over the past year and half; The Economic Diagnostic prepared for the Business Council of Fairfield County Foundation, Presentations from Council of Governments (COGS) regarding their regions comprehensive economic development strategies, and the Boston Fed presentations concerning revitalizing Connecticut's cities. The chairs explained that when combined, these presentations provide a context and a road map for Connecticut's economic competitiveness in the past, present, and future. They further explained that through analyzing these presentations several key themes emerged (cities, growth sectors, transportation/connectivity, fiscal outlook/stability, public/private engagement) which they feel the commission needs to focus on in their future work.

**III. MEMBERS' PRIORITIES:**

**A. Results of member survey**

**B. Members' individual focus for 2017-2019**

In preparation of today's meeting, the co-chairs requested that each commission member share in writing what they feel are the top three issues affecting Connecticut's economic competitiveness

accompanied by one or two sentences describing each issue. The results of this survey were discussed during today's meeting. A summary of those responses is below.

**Ellen Shemitz**

To close disparities, create opportunity, and enable all residents to thrive, we need a new commitment to **equitable economic development**: one that advances growth and equity simultaneously. Truly equitable economic development will require (1) updating our transportation and communication infrastructure for the 21<sup>st</sup> century, (2) workforce development and (3) a fair and predictable revenue system.

- **Infrastructure investments** refers to the roads, bridges, airports, schools, broadband, and a high quality transit system that connects communities to job opportunities and that make it easier for groups to conduct business in the state, increasing Connecticut's competitive advantage, providing short term job creation and facilitating long-term job growth.
- **Workforce development** should prepare residents for jobs where they can earn a livable wage. This includes (a) near-term skill development to connect low and middle income residents to jobs today, (b) intentional alignment of vocational education with workplace opportunities in advanced manufacturing and technology, and (c) quality education from preschool through higher education that will leverage the intellectual capital and potential across the state.
- **Reform of our tax system** to ensure fairness for both individuals and for businesses, create predictability, support inclusive growth, and hold tax expenditures to the same level of transparency and review as appropriated line items.

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**Steven Glazer**

- **Taxes:** Whether realistic or not, the belief that many companies have about the tax levels in the state detract from many companies choosing Connecticut over other states to locate their operations.
- **Education:** Not having a hub for young talent is a detriment and is a large reason for the departure of companies like GE to areas where a number of young minds congregate together. In addition, while having some of the best two year and four year schools in the country, a number of young adults opt to leave the state.
- **Infrastructure:** The transportation system is an issue in Fairfield County and a number of facilities throughout the state need updating, which might encourage more people to reside and encourage companies to want to base their operations in the state.

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**Seth Ruzi**

- Need to get to point where we can lower the state personal income tax to regain the competitive advantage that CT used to have vs NY and MA. This is important as business leaders determine where to locate their businesses. In last several years NY lowered their top rate while CT raised its rate, with the result that CT surrendered that advantage with NYS. This is particularly a concern given the aging CT population and how much easier it is to relocate businesses in the internet era.
  - Need to find a way to generate revenues and bring down the debt, but in a manner designed to not damage CT’s reputation as a place to live and operate a business.
  - Need to address the “greying” of Connecticut and the declining population trend.
  - Need to reduce commuting times for both CT residents, and persons commuting to CT-based jobs.
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**Sen. Frantz**

- **Poor Balance Sheet and Fiscal Practices**

One of the factors that keep companies out of the state and worries those currently in the state is that of our very vulnerable fiscal house. With assets of around \$11 billion, liabilities in excess of \$70 billion and an inability to balance any current budget for more than a few months is a significant deterrent and seriously hurts our competitiveness.

- **High Cost of Doing Business**

One of the more common complaints I hear is that the normal costs of doing business, including taxes, is a significant problem and deterrent to companies moving to the state. We need to reduce our energy, transportation and regulatory compliance costs if we are to return to being competitive.

- **Hostile Attitude towards Business in Certain Committees in the Legislature**

Another common complaint I hear is that the Legislature does not appreciate business, and in particular that several committees, especially Labor, are downright hostile to the private sector. We need to change our ways in this area to restore confidence in state government and the economy.

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**Commissioner Kevin Sullivan**

- **Population renewal:** Connecticut continues to produce well-educated generations. However, we are struggling to hold next generations in place. Consequently, the state is disproportionately aging. Older residents with means

relocate to warmer and lower cost states - leaving a more dependent elderly population. Immigration does not keep pace with out migration and, on average, comes with lower income levels and higher dependency ratios. Educational disparity leaves remaining next generations less well-prepared for growth-driving employment and enterprise. The economic base erodes while generational loss lessens economic renewal – including innovation and productivity.

- **Economic infrastructure:** The most obvious example of this is a long history of disinvestment in transportation and alternatives to reliance on highway transit. However, many other issues make the list including:
    - Aging energy systems and still insufficiently built out capacity for next generation communications increase costs and retard growth.
    - Other than New Haven and the new bio-science tower associated with the UConn Health Center, there is geographic mismatch and little programmatic match with graduate-level higher education or post-secondary transition to work.
    - Over-built, duplicative and aging health care facilities add to the cost of doing business and are not well-integrated in strategies for economic growth.
    - In the spirit of “building from strength,” Connecticut’s reliance on a now diminishing and highly mobile F.I.R.E sector makes a case for renewal in terms of resources for capitalization and new markets.
  - **Tax policy that builds more and bribes less.** Ever wonder why some economic activities are taxed and others are not? Connecticut already relies far too much on too many tax expenditures that have little clear benefit in terms of macro-economic renewal. There will always be room for smart initiatives with demonstrable and accountable economic outcomes – Pratt & Whitney and Sikorsky come to mind. But tax incentives should be exceptional and (1) leverage existing core economic strengths that have real potential for higher future return on investment, (2) incent innovation and enterprise, and (3) create wage and high benefit employment opportunities. Tax expenditures should not be fads, political preferences or part of zero-sum economic gaming within and among the states. In general, broader based, lower rate taxation will produce needed and a more favorable overall economic climate.
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### **Rep. Camillo**

- High taxes and fees-numerous and many unique to CT
  - Indebtedness-many companies see the unfunded liabilities as a ticking time bomb and it does factor in to their long term outlooks on our state
  - Transportation (traffic congestion)-we need to find a way to work with the private sector to help make mass transit more available and cheaper (corporate sponsorship of things like railcars).
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### **Jeff Hyde**

- **Fiscal Stability.** Revenue increases through taxes, fees and programs have been increased by over \$4B in the last 6 years. However, the fiscal stability of CT has weakened. It may be perceived to be worse than it actually is. The fact that the perception exists is testament that CT has not done the things to fix the fiscal issues or dispel the perception. An expansive fiscal policy tied to an aggressive tax policy has fueled the concerns of business leaders when considering CT as a viable option for growth.
- **Economic Development/Urban Development.** As was demonstrated in the many presentations on this topic, urban areas with high energy levels are growing. Workers are being attracted to the cities - both the millennial workforce as well as the experienced workforce. The largest cities in CT have not developed cohesive plans in conjunction with the State to trade off of the location between Boston and New York City for encouraging entrepreneurial opportunities. The State programs and the regional programs seem to be disconnected. The major universities in CT are not contributors to a unified plan, either.
- **Transportation.** This affects commuters and inner-city travelers alike. There is no city with an airport within easy reach. The rail lines are old and unreliable. Roads have become hurdles to business growth rather than a positive.

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**Joe Brennan**

- **The state's short- and long-term fiscal problems** - The chronic fiscal problems facing Connecticut have caused great uncertainty among companies, investors, etc. that has had a chilling effect on economic growth and job creation in the state.
  - **The talent pipeline** - For a variety of reasons - which include but are not limited to the high cost of living, desire among many people to live in larger urban environments, lack of training or interest in certain careers - many employers are having difficulty in finding people to fill open positions. This leads to lack of economic growth in areas where we would otherwise see additional growth.
  - **Demographic trends identified in the McKinsey diagnostic** - As articulated by Commissioner Sullivan in his letter to the Commission, our demographic and related economic trend line is driven by a disproportionately aging, lower income and more dependent population; our income trend line is driven by lower earning jobs, lower value-added enterprises, higher costs, net income migration, deepening disparities and hardening perceptions of comparative economic opportunity; and our educational trend line is driven by still relatively high achievement and attainment but widening disparities and little strategic connection with economic growth.
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**Heather Somers**

- **Improving the fiscal confidence throughout the state-** this includes restructuring the state's tax policies to be more friendly and fair for both citizens and business throughout

the state. One of the most important aspects of this priority is to improve the stability of people's pensions- the current instability is causing people to leave the state.

- **Promoting and fostering growth within the entrepreneurship sector of the economy-** while the success of the large businesses in the state is very important to the overall economy, small businesses represent the true backbone of the state. Our state's economic competitiveness hinges on the success of our small businesses and entrepreneurs succeeding.
  - **Cities-** focusing on how Connecticut can revitalize its urban cores is key to improving the state's competitiveness. Crafting legislation and meaningful policy that attracts and maintains young people in our state's cities is very important to the overall economy.
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#### **Jennifer Berigan for Lori Pelletier**

- **Investment economy-** Continuing to move towards becoming an investment economy rather than an austere economy which is reliant on spending cuts and raising taxes. This includes investing in not only the infrastructure (transportation and technology) of the state but also the workforce development of the state.
  - **Improving tax policy-** for the most vulnerable in the state and those that cannot afford to leave the state no matter what the economic conditions may be.
  - **Education-** improving and investing in all levels of education will greatly improve the workforce and make CT more competitive when trying to attract and retain businesses.
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#### **Rep. Cristin McCarthy Vahey**

- **Improving the partnership between business and government-** This is a priority for me and I would like to work personally on this issue. Determining how the State and the private sector can collaborate to jointly support long-term growth is key to improving the state's economic competitiveness.
  - **Infrastructure-** improving both the transportation and technology infrastructure as well as the workforce is key to improving the overall economy of the state.
  - **Smart urban development-** our state's overall economic health is only as strong as our cities. Crafting legislation and meaningful policy that attracts and maintains young people in our state's cities is very important to the overall economy.
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#### **Commissioner Catherine Smith**

- **Fiscal Stability-** Improving the tax policy in the state as well as the long term obligations are directly tied to the economic competitiveness of the state. The decision makers need to get innovative in how they deal with the fiscal situation of the state- it is a very complex issue with no one answer.

- **Talent-** attracting and maintaining a skilled workforce is key to the state’s economy. The idea of talent goes hand in hand with the demographics of the state and is something we need to focus on so that it continually improves.
- **Cities-** the conditions of our cities tend to reflect the worst aspects of the state’s economy. Improving the cities throughout CT will help change the current negative perception of our state.
- **Focus on the positive aspects of our state rather than the negative**

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**Rep. Jeffrey Berger**

- **Entrepreneurship-** Continuing to craft policy to foster growth in the entrepreneurship sector of the economy is key to improving our state’s economic competitiveness. This sector of the economy impacts so many areas including job growth and innovation. Legislation recently passed by the Finance Committee and the legislature as a whole strengthening CTNext takes steps towards achieving these goals.
- **Urban Cores-** strengthening our cities is paramount to the economic success of our state. Improvements in the current property tax system as well as improving our transportation infrastructure in our cities and throughout our state will help revitalize this key component of our state.
- **Education/Workforce Development-** We need to continue to make improvements in our educational systems so that we are training our future workers for the advanced manufacturing jobs that are the future of our economy. Many of our vocational tech schools are also highly successful at training workers and we need to continue on this path of success.
- **Fiscal Stability-** The new economic reality in the state is a very serious one. The current budget projections are not good and in order to improve these figures as well as future budgets we need to address the long term obligations that the state currently faces.

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**Rep. Christopher Davis**

- **Tax System-** Reforming the current tax system while taking into consideration the large debt obligations and long term liabilities that the state faces is paramount to improving our state’s economic competitiveness. Ensuring fairness for both individuals and for businesses will help create much needed predictability. There needs to be long term solutions to the state budget and not temporary fixes. Businesses look long term at the state’s economic situation when deciding if their future will be in CT.
- **Education-** aligning vocational education with workplace opportunities in advanced manufacturing and technology, and continuing to provide quality education at all levels influence the intellectual capital and potential across the state. Continuing to

improve the educational system (especially the in the trades) will keep younger people in the state and positively affect the economy.

- **Workforce Development/Entrepreneurship**-Properly training the young people of the state so that they have the necessary skills when entering the workforce is very important to the state's success. Continuing to foster and support the entrepreneurs of the state and having the workers to meet the needs of these entrepreneurs will go a long way in revitalizing the state's economy.
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### Henry Teskey

- **Long-term fiscal health of state** – Companies such as Electric Boat look long term at the state's "fiscal house" when they create their internal business plans. The fiscal problems facing Connecticut have caused great uncertainty among companies, investors, etc. and effect the economic growth and job creation in the state.
  - **Workforce pipeline**- creating a pipeline to properly train the workers of the next generation is key to the success of businesses. Many educational intuitions are doing a great job of training "tomorrow's" worker, and they need to continue to do so.
  - **Demographic trends**- There is a "greying" of CT's population and specifically the workforce population. Bridging the gap between future workers and the older workers is very important to the economic competitiveness of the state.
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### Sen. Joan Hartley

- **Develop a clear urban strategy**- Crafting legislation and policy which creates and fosters urban areas with high energy levels is important to the state's overall economy. Workers are being attracted to the cities - both the millennial workforce as well as the experienced workforce. The cities in CT must develop cohesive plans in conjunction with the State to trade off of the location between Boston and New York City for encouraging entrepreneurial opportunities. Improving the **state's transportation infrastructure** is important to improving this situation.
  - **21<sup>st</sup> Century Jobs**- The days of the workforce primarily serving factories and mills throughout the state is over. We need to train our workers to meet the needs of today's new global economy which relies heavily on technology. Making sure our educational system properly trains our workers for these jobs is important.
  - **Taking an inventory of our state**- Understanding what our strengths and weaknesses are as a state and catering to those strengths and improving our weaknesses will greatly improve our competitiveness. Once an inventory is made **creating a workable partnership between the private and public sector** will help foster growth and stability.
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### Rodney Williams

- **Improving tax policy-** specifically making improvements for those minority owned small businesses that can't afford to leave the state even when economic hardships affect the state's budget.
  - **Training workforce-** Properly training the workforce that is already in CT for future jobs that are going to become available. We need to train these workers so that we don't have to look out of state for employees when job's become available.
  - **Job Creation-** Continuing to create jobs specifically for the minority community is important to the state's overall economic condition.
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**IV. COMMISSION WORK PLAN:**

A lengthy discussion took place regarding the commission's work plan going forward. Several members discussed the idea of breaking off into working groups to discuss different areas of focus and then reporting back to the group as a whole. Conversely, several members expressed the idea that it would be best to work on the different areas of focus as an entire commission rather than smaller groups. A final decision was not made on this issue.

The purpose, composition, powers, and goals of the Connecticut 500 project were also discussed.

**V. TIMELINES/DEADLINES:**

The co-chairs explained that one of the major deadlines that the commission is facing is that by January 1, 2017, the commission must solicit bids from outside consultants with economic development expertise to develop the CT 500 project. The project must include creating the governing board that includes senior business leaders; the chief executive officers of public companies operating in Connecticut; state and local elected officials; and other business, government, and community leaders.

**VI. ANNOUNCEMENT OF TIME AND DATE OF NEXT MEETING:**

The co-chairs explained that the administrator of the commission will be sending out a survey to all members in hopes of selecting a date for a weekend retreat in the near future.

**VII. ADJOURNMENT:**

The meeting was adjourned at 12:31 PM by Chairman Rep. Tong.

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**Tom Spinella**

**Administrator**

