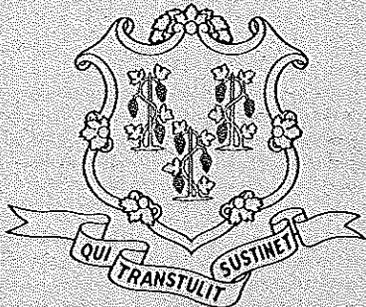


# Council of Economic Advisors

Connecticut  
General Assembly



LEGISLATIVE  
PROGRAM REVIEW  
AND  
INVESTIGATIONS  
COMMITTEE

## SUNSET 1983

Volume IV-25  
January 1983

CONNECTICUT GENERAL ASSEMBLY

LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

The Legislative Program Review and Investigations Committee is a joint, bipartisan, statutory committee of the Connecticut General Assembly. It was established in 1972 as the Legislative Program Review Committee to evaluate the efficiency and effectiveness of selected state programs and to recommend improvements where indicated. In 1975 the General Assembly expanded the Committee's function to include investigations and changed its name to the Legislative Program Review and Investigations Committee. During the 1977 session, the Committee's mandate was again expanded by the Executive Reorganization Act to include "Sunset" performance reviews of nearly 100 agencies, boards, and commissions, commencing on January 1, 1979.

The Committee is composed of twelve members, three each appointed by the Senate President Pro Tempore and Minority Leader, and the Speaker of the House and Minority Leader.

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SUNSET REVIEW 1983

COUNCIL OF ECONOMIC ADVISORS

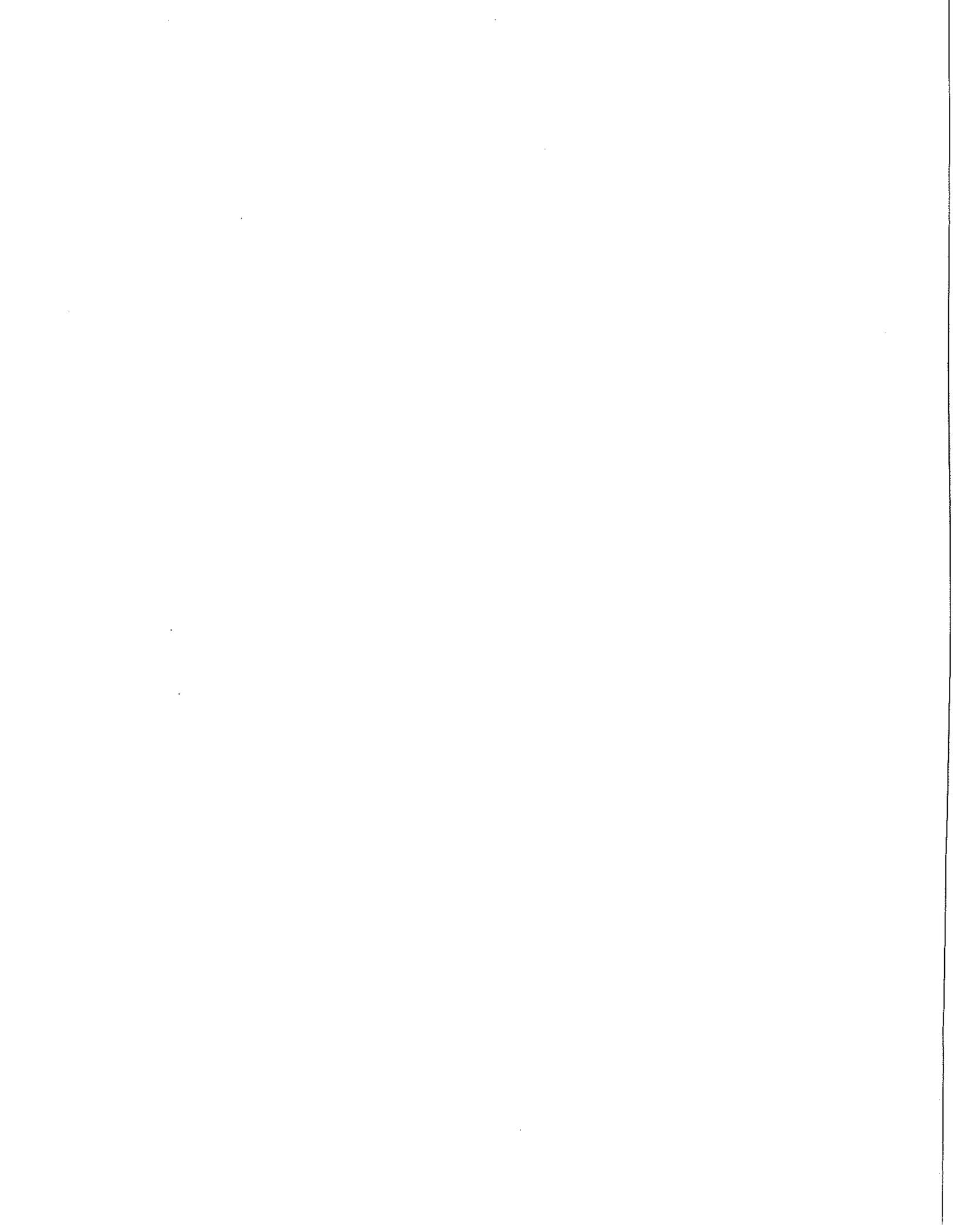
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## COUNCIL OF ECONOMIC ADVISORS

### SUMMARY

The Council of Economic Advisors was created in 1972 with the adoption of House Bill 5043, entitled the "Full Employment Act." In a statement of policy, the act noted that it is the responsibility of state government to "foster and promote free competitive enterprise and the general welfare..." and "to promote maximum good quality employment, production and purchasing power." The legislation placed the council within the executive office of the governor and called for an annual report to the General Assembly and the governor.

Principal functions of the council include gathering timely information on the state's economic growth, identifying economic trends, analyzing the impact of laws and programs on the state's economy, and recommending a growth policy compatible with environmental and economic goals. In addition, the act provided for a study of the feasibility of establishing a department level agency dealing with commerce and economic development.

The Council of Economic Advisors is composed of seven members, three of which are appointed by the governor, one by the speaker of the House of Representatives and one by the president pro tempore of the Senate. By virtue of their positions, the commissioners of economic development and labor serve as council members. All terms are coterminous with the appointing authority.

The council's major purpose is to advise the governor and General Assembly on the state of Connecticut's economy. The council's statutory functions are to:

- gather timely and authoritative information concerning the economic growth and development of the state and analyze trends in the state's economy;
- provide comprehensive information about the economic character, performance and prospects for the state;
- analyze state, federal and international laws, programs and activities and assess their impact upon the economy;

- make reports and undertake, at the request of the governor, such studies as may be pertinent to the economic health of the state;
- assist the governor and executive departments with the establishment of statistical standards and procedures;
- recommend a state growth policy compatible with environmental and economic goals of the state to insure an optimal standard of living for its citizens; and
- report to the governor and General Assembly annually.

The Council of Economic Advisors' principal activity has been to gather information on the state's economic health and recommend a growth policy compatible with the environmental and economic goals of Connecticut.

The council generally meets three or four times a year. Most council work consists of discussions, occurring early in the year, concerning information and recommendations to be contained within the annual report. At the end of the year, the finished report is released and copies sent to the governor and legislature. The report also summarizes pertinent economic information used in analyzing Connecticut's economy. The council has published an annual report since 1972.

The Legislative Program Review and Investigations Committee considered three options relative to the Council of Economic Advisors: 1) sunsetting the council; 2) continuing the council; and 3) modifying the council's functions, policy role and membership. In reviewing the options, the committee considered the survey responses and identifiable activities of the council. Note was also taken of the reasons for creating the council as revealed in the legislative history. An important criterion in the review was whether the council's work duplicated the work of any other state entity.

The Legislative Program Review and Investigations Committee concluded that the governor could convene a group of economic advisors, if needed, without specific statutory authority. The review indicated that the governor was using a variety of sources to gather and analyze economic data including staff from the Office of Policy and Management, the Department of Economic Development and business and labor leaders. The committee concluded that based upon the level of activity of the council and

its duplicative role in relation to other agencies and organizations, the entity should be terminated.

*The Legislative Program Review and Investigations Committee, therefore, recommends that the Connecticut Council of Economic Advisors be sunsetted.*



## INTRODUCTION

### Purpose and Authority

Chapter 28 of the Connecticut General Statutes provides for the periodic review of certain governmental entities and programs and for the termination or modification of those which do not significantly benefit the public health, safety, or welfare. This law was enacted in response to a legislative finding that a proliferation of governmental entities and programs had occurred without sufficient legislative oversight.

The authority for undertaking the initial review in this oversight process is vested in the Legislative Program Review and Investigations Committee. The committee is charged, under the provisions of Section 2c-3 of Chapter 28, with conducting a performance audit of each entity or program scheduled for termination. This audit must take into consideration, but is not limited to, the four criteria set forth in Section 2c-7. These criteria include: (1) whether termination of the entity or program would significantly endanger the public health, safety, or welfare; (2) whether the public could be adequately protected by another statute, entity, or program or by a less restrictive method of regulation; (3) whether the governmental entity or program produces any direct or indirect increase in the cost of goods or services and, if it does, whether the public benefits attributable to the entity or program outweigh the public burden of the increase in cost; and (4) whether the effective operation of the governmental entity or program is impeded by existing statutes, regulations or policies, including budgetary and personnel policies.

In addition to the criteria contained in Section 2c-7, the Legislative Program Review and Investigations Committee is required, when reviewing regulatory entities or programs, to consider, among other things: (1) the extent to which qualified applicants have been permitted to engage in any profession, occupation, trade, or activity regulated by the entity or program; (2) the extent to which the governmental entity involved has complied with federal and state affirmative action requirements; (3) the extent to which the governmental entity involved has recommended statutory changes which would benefit the public as opposed to the persons regulated; (4) the extent to which the governmental entity involved has encouraged public participation in the formulation of its regulations and policies; and (5) the manner in which the governmental entity involved has processed and resolved public complaints concerning persons subject to review.

## Methodology

The Legislative Program Review and Investigations Committee's sunset review process is divided into three phases. The initial phase focuses on collecting quantitative and qualitative data related to each entity's background, purpose, powers, duties, costs and accomplishments. Several methods are used by committee members and staff to obtain this information. These include: (1) a review of statutes, transcripts of legislative hearings, entity records (e.g., minutes, complaint files, administrative reports, etc.), and data and statutes of other states; (2) staff observation of meetings held by each entity during the review period; (3) surveys of selected persons and groups associated with each entity; (4) formal and informal interviews of selected individuals serving on, staffing, affected by or knowledgeable about each entity; and (5) testimony received at public hearings.

During the second phase, the staff organizes the information into descriptive packages and presents it to the committee. The presentations take place in public sessions designed to prepare committee members for the hearings, identify options for exploration and alert entity officials to the issues the committee will pursue at the hearings.

The final step of the review involves committee members and staff following up on and clarifying issues raised at briefings and public hearings. During this period, the staff prepares decision papers and presents recommendations to the committee. The committee, in public sessions, then debates and votes upon recommendations for the continuation, termination or modification of each entity.

## BACKGROUND

### Legislative History

The Council of Economic Advisors was created in 1972 with the adoption of House Bill 5043, entitled the "Full Employment Act." In a statement of policy, the act noted that it is the responsibility of state government to "foster and promote free competitive enterprise and the general welfare..." and "to promote maximum good quality employment, production and purchasing power." The legislation placed the council within the executive office of the governor and called for an annual report to the General Assembly and the governor.

Principal functions of the council included gathering timely information on the state's economic growth, identifying economic trends, analyzing the impact of laws and programs on the state's economy, and recommending a growth policy compatible with environmental and economic goals. In addition, the act provided for a study of the feasibility of establishing a department level agency dealing with commerce and economic development.

Testimony before the Committee on State and Urban Development noted that the council should make frequent assessments of short-term and long-term business conditions and alert state officials to potential economic problems. The bill, carrying a \$40,000 appropriation, passed the House and Senate with little debate.

To assure that the Council of Economic Advisors would have a meaningful role in state government, the law required the governor to report to the General Assembly on the state of the economy and propose a program for carrying out the intent of the Full Employment Act. The council would assist the governor in this duty. The act also created a special section in the governor's budget document to provide for recommendations concerning the economy and to analyze the impact that proposed spending and revenue programs would have on the employment, production and purchasing power of the people and industries within the state.

The council, as established in 1972, consisted of five members. A \$100 per diem was paid to council members for attendance at meetings. The following year, though no changes were made in the statutes governing the council, the economic advisors did have an impact on a major piece of legislation. As previously noted, one of the council's duties was

to conduct a feasibility study on creating a separate department dealing with economic development. An independent commission, the Connecticut Development Commission, was fulfilling some of the responsibilities for the state's economic development, but there was general sentiment among government and business leaders that to improve the state's economic climate a department-level state agency was necessary.

During the 1973 legislative session, a bill was introduced to create a separate Department of Commerce and Economic Development to replace the development commission. In hearings held on the bill before the Committee on Government Administration and Policy, the chairman of the Council on Economic Advisors noted that the members had studied several other state agencies having similar functions as the proposed department and also had held discussions with the Departments of Commerce in New York, Massachusetts, New Jersey and Pennsylvania. As part of their study, they interviewed several chief executive officers in Connecticut. The council reviewed earlier studies in the area, all of which recommended the creation of a separate agency. Based upon its research, the council recommended establishment of a separate state agency dealing with commerce and economic development and supported the bill under consideration by the committee. The legislature agreed and passed Public Act 73-599 establishing the Connecticut Department of Commerce.

With passage of the bill and creation of a Department of Commerce, legislation in the 1974 session deleted the feasibility study from the council's functions and eliminated the \$100 per diem for council members. The council was also transferred to the new department for administrative purposes.

Between 1975 and 1981 the only other significant legislative changes were those affecting the council's organizational location; no changes were made altering its functions. In 1975, the council was transferred back to the governor's office from the Department of Commerce. During government reorganization in 1977, the council was again transferred, from the governor's office to the newly created Office of Policy and Management where it remains today. Changes in membership occurred in 1975 and 1977 with the additions of the commissioners of commerce (economic development) and labor, respectively.

### Structure

The Council of Economic Advisors is composed of seven members, three of which are appointed by the governor, one by

the speaker of the House of Representatives and one by the president pro tempore of the Senate. By virtue of their positions, the commissioners of economic development and labor serve as council members. All terms are coterminous with the appointing authority.

The council does not employ any full-time staff, but uses the services, facilities and information of other government and private research agencies. Direct services are usually provided by the organizations affiliated with council members.

#### Purpose, Powers and Duties

The council's major purpose is to advise the governor and General Assembly on the state of Connecticut's economy. The council's statutory functions are to:

- gather timely and authoritative information concerning the economic growth and development of the state and analyze trends in the state's economy;
- provide comprehensive information about the economic character, performance and prospects for the state;
- analyze state, federal and international laws, programs and activities and assess their impact upon the economy;
- make reports and undertake, at the request of the governor, such studies as may be pertinent to the economic health of the state;
- assist the governor and executive departments with the establishment of statistical standards and procedures;
- recommend a state growth policy compatible with environmental and economic goals of the state to insure an optimal standard of living for its citizens; and
- report to the governor and General Assembly annually.

### Fiscal Information

The Council of Economic Advisors does not receive any direct General Fund appropriations. The council has no expenditures other than the printing of its annual report, the cost of which is absorbed in the Department of Economic Development's budget.

## ACTIVITIES

The Council of Economic Advisors' principal activity has been to gather information on the state's economic health and recommend a growth policy compatible with the environmental and economic goals of Connecticut.

The legislative history reveals that an early duty of the council, providing the state with a study of the feasibility of establishing a Department of Commerce and Economic Development, was deleted after the council fulfilled its obligation. As noted earlier, such a department was established in 1973 by the General Assembly.

The council generally meets three or four times a year. Most council work consists of discussions, occurring early in the year, concerning information and recommendations to be contained within the annual report. A staff assistant to one of the economic advisors will prepare a draft of the report and present it at the following meeting. The draft is reviewed, appropriate changes are made and occasionally a follow-up meeting will be held. At a final meeting near the end of the year, the finished report is released and copies sent to the governor and legislature. The report also summarizes pertinent economic information used in analyzing Connecticut's economy. The council has published an annual report since 1972.

A Legislative Program Review and Investigations Committee survey of past and present council members indicated that the average length of membership on the council is five years. Respondents to the survey gave their highest priority rating to the function of reporting to the governor and General Assembly each year.

In addition to the economic information gathered by the council, the governor is required, by statute, to produce his own economic report. The publication, entitled the Economic Report of the Governor, contains extensive economic data in several areas including: 1) the general economic characteristics of the state; 2) employment in the state; 3) performance indicators for Connecticut, the New England region and the United States; 4) state taxes; 5) economic assumptions underlying the governor's budget; 6) tax revenue forecasts; and 7) the impact of the governor's budget on the state's economy. The council uses some of this information during its deliberations.

The most recent Economic Report contains a summary of the governor's business labor summit held in 1981. Issues discussed at the summit included the economic climate of the state; the effective use of capital, labor and management resources; and the need for employment and training.

## ANALYSIS AND RECOMMENDATIONS

The Legislative Program Review and Investigations Committee considered three options relative to the Council of Economic Advisors: 1) sunseting the council; 2) continuing the council; and 3) modifying the council's functions, policy role and membership. In reviewing the options, the committee considered the survey responses and identifiable activities of the council. Note was also taken of the reasons for creating the council as revealed in the legislative history. An important criterion in the review was whether the council's work duplicated the work of any other state entity.

Analysis of the council indicated that it was originally created to closely advise the governor and study the feasibility of creating a Department of Economic Development. While the latter was accomplished, the former remains unfulfilled. In a Legislative Program Review and Investigations Committee survey of council members, five of the eight respondents said they had little or no input in the governor's economic report. Members were also split on the effectiveness of their economic advice. One member considered it to be very effective, three believed it to be somewhat effective and four indicated that the council's advice was ineffective. There was, however, general agreement on the question of whether the council had adequate resources to carry out its statutory functions; six of the seven members responding stated the resources were not adequate.

Many of the statutory functions of the council are now being carried out by the Office of Policy and Management and the Department of Economic Development, particularly in the area of economic data gathering and analysis. Testimony received by the program review committee stated that "if no staff is provided, the council should be abolished...."<sup>1</sup> The committee did not consider adding any staff. As noted earlier, the governor is required by statute to produce an economic report, which is prepared by the staff of the Office of Policy and Management. The governor's report contains far more extensive economic data than the council's annual report. In fact, much of the information contained in the council's report is similar to the governor's.

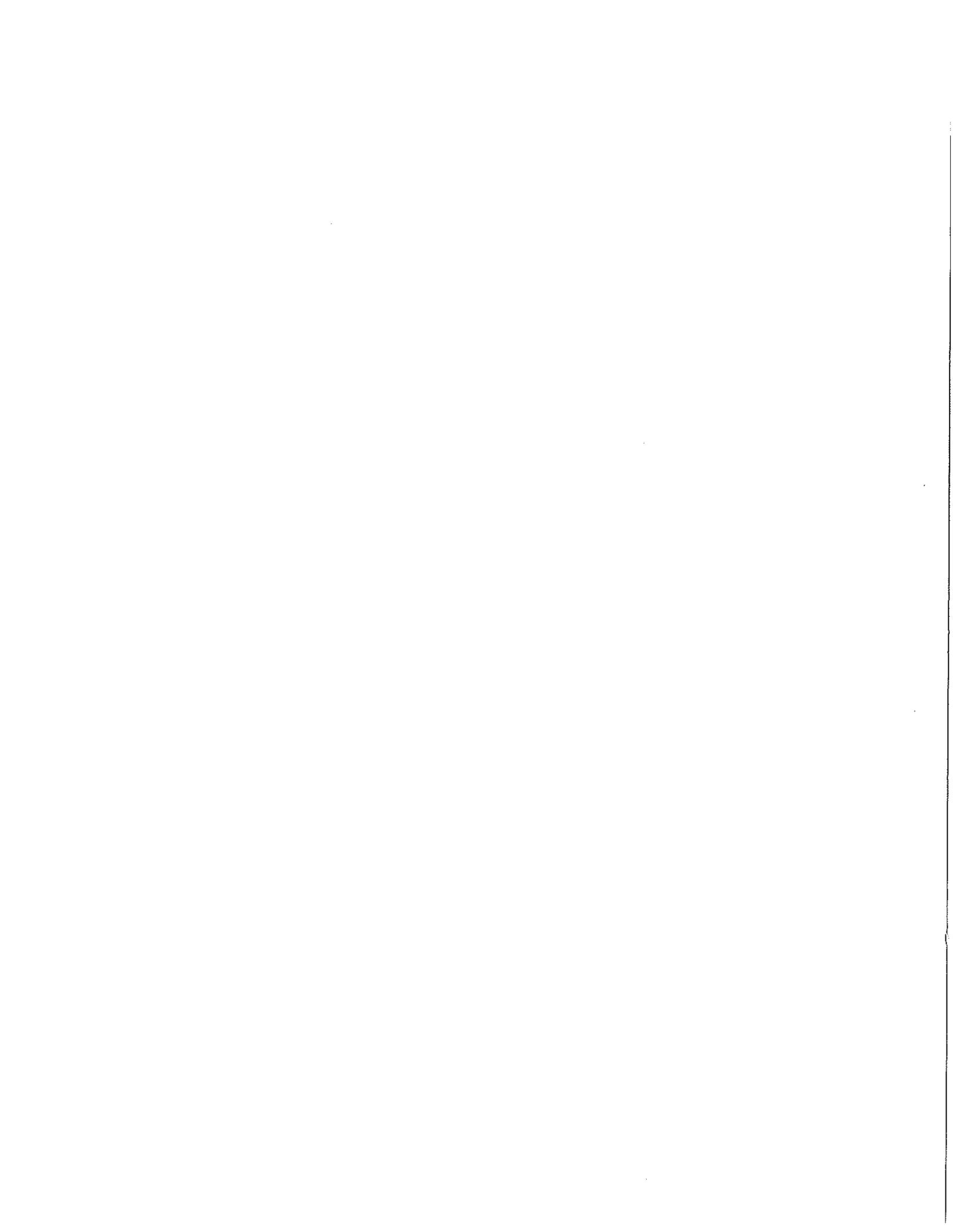
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<sup>1</sup> Testimony submitted by Gregory Zak, member, Council of Economic Advisors, Public Hearing on Sunset 1983, June 10, 1982.

In addition, the Legislative Program Review and Investigations Committee concluded that the governor could convene a group of economic advisors, if needed, without specific statutory authority. The review indicated that the governor was using a variety of sources to gather and analyze economic data including staff from the Office of Policy and Management, the Department of Economic Development and business and labor leaders. The committee concluded that based upon the level of activity of the council and its duplicative role in relation to other agencies and organizations, the entity should be terminated.

*The Legislative Program Review and Investigations Committee, therefore, recommends that the Connecticut Council of Economic Advisors be sunsetted.*

## APPENDICES



APPENDIX A

CONNECTICUT COUNCIL OF ECONOMIC ADVISORS

STATUTORY AUTHORITY: Chapter 569 "Full Employment Act"

ESTABLISHED: 1972 by Public Act 221

PURPOSE: Advise the governor and the general assembly on the state of Connecticut's economy

MAJOR FUNCTIONS:

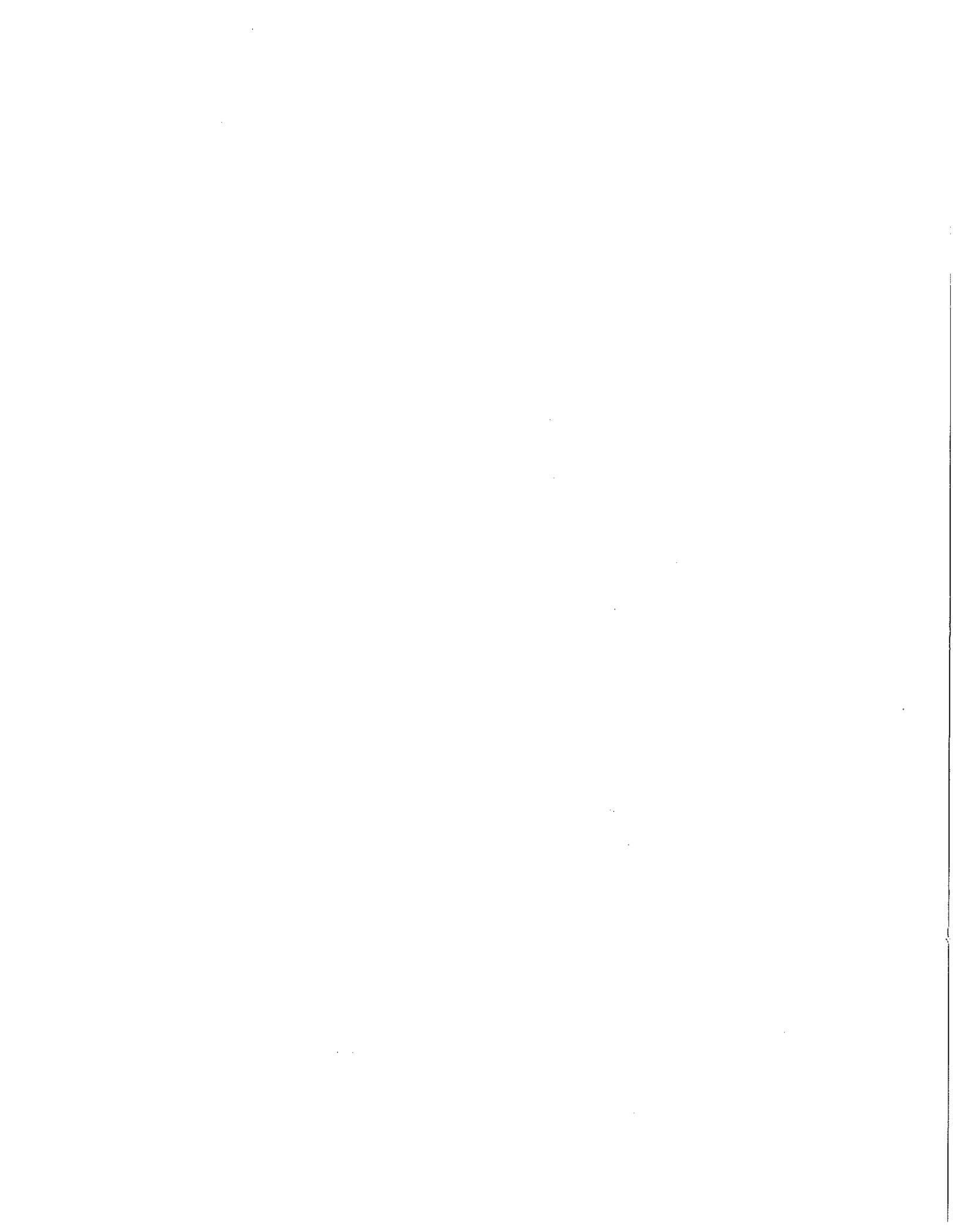
- Gather timely and authoritative information concerning the economic growth and development of the state and analyze trends in the state's economy;
- Provide comprehensive information about the economic character, performance and prospects for the state;
- Analyze state, federal and international laws, programs and activities and assess their impact upon the economy;
- Make reports and undertake, at the request of the governor, such studies as may be pertinent to the economic health of the state;
- Assist the governor and executive departments with the establishment of statistical standards and procedures for the collection of economic data
- Recommend a state growth policy compatible with environmental and economic goals of the state to insure an optimal standard of living for its citizens;
- Report to the governor and general assembly on or before September 1st.

COMPOSITION: Seven members; three appointed by the governor, one by the speaker and one by the president pro tempore, the commissioner of economic development, and the commissioner of labor

TERMS: Coterminus with the governor

STAFF: No full-time employees; shall utilize the services facilities and information of other government and private research agencies

BUDGET: None



Responses

APPENDIX B

Current members	- 7 mailed; 6 returned
Past members	- <u>7 mailed; 2 returned</u>
Total	14 mailed; 8 returned

LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

1983 Sunset Review  
of the  
Connecticut Council of Economic Advisors

This questionnaire has been constructed to elicit information about the council. Please follow the directions for each question as the results will not be valid unless you do so.

Please feel free to provide additional comment on either a specific question or the council in general. Any such comment may be included directly on the questionnaire or in a separate attachment.

1. Please indicate length of membership on the council.      5 Years
2. Are you a current 6 or past 2 member?
3. In the past two years (1980 and 1981) how many council meetings have you attended? Average 5
4. On a scale ranging from 1 = High Priority to 4 = Low Priority, please rate the following duties as to their importance as a reason for continuing the council. Please rate every duty. If you feel the council is not involved in a particular activity, indicate this by choosing option number 5.

<u>High</u> <u>Priority</u>		<u>Low</u> <u>Priority</u>		<u>Not</u> <u>Involved</u>		
1	2	3	4	5		
	3	2	2		1	Gathering timely and authoritative information concerning the economic growth and development of the state and analyzing trends in the state's economy;
	3	2	1		2	Providing comprehensive information about the economic character, performance and prospects for the state;
	2	1	1	1	2	Analyzing state, federal and international laws, programs and activities and assessing their impact upon the economy;
	3	1	2		2	Making reports and undertaking, at the request of the governor, such studies as are pertinent to the economic health of the state;

<u>High Priority</u>		<u>Low Priority</u>		<u>Not Involved</u>		
	2		1		5	Assisting the governor and executive departments with the establishment of statistical standards and procedures;
2	4		1		1	Recommending a state growth policy compatible with environmental and economic goals of the state;
4	2		1	1		Reporting to the governor and general assembly each year;
1	2		1	1	3	Providing a forum for discussion of labor/business issues;
3						Other (please specify) _____

5. In your opinion, how effective has the council been in providing the governor and the legislature with economic advice?

- 1 Very Effective  
3 Somewhat Effective  
4 Ineffective  
\_\_\_\_\_ Difficult to determine

6. As part of the Budget Document, the governor is required to produce an "economic report." Please rate the input the council has had in the most recent 1982-83 Economic Report of the Governor.

- 1 Substantial input  
2 Some input  
5 Little or no input  
\_\_\_\_\_ Not aware of the economic report

7. Does the governor's Economic Report serve as a basis for the council's own annual report?

- 2 Yes                      4 No                      2 Uncertain

8. The Council of Economic Advisors is currently located within the Office of Policy and Management for administrative purposes only. Is this the most appropriate organizational location?

3 a. Yes

5 b. No -- If no, which of the following would be more appropriate:

5 Governor's office

\_\_\_\_\_ Department of Economic Development

\_\_\_\_\_ Private sector organization

\_\_\_\_\_ Other (specify) \_\_\_\_\_

9. Does the council have adequate resources to carry out its statutory functions?

1 Yes

6 No

10. If given the opportunity, how would you change the current role of the Council of Economic Advisors?

The council should consist of practicing/prominent economists

and have a limited staff.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## APPENDIX C

### Legislative Changes Needed to Implement the Legislative Program Review and Investigations Committee's Recommendations

- Repeal Sections 31-358, 31-359, 31-360 and 31-361 of the Connecticut General Statutes to eliminate the Council of Economic Advisors and its duties.

