



October 27th ROUNDTABLE SUMMARY

We were pleased to gather our group for our inaugural roundtable discussion facilitated by **Fritz Conway, a partner at Gaffney, Bennett and Associates**, on October 27th for an overview of Connecticut's upcoming state legislative session. Thanks to all who participated. Specific areas of discussion included:

1. Connecticut's ongoing budget crisis
2. Potential onerous legislation regarding labor/employee mandates
3. State assistance programs available to manufacturers
4. Connecticut's aging transportation infrastructure

See meeting notes and highlights on each of these four topics.

1. CONNECTICUT'S BUDGET CRISIS

Connecticut State Budget Background

Since 2012, the State of Connecticut has been in a vicious cycle of state budget deficits followed by large tax increases as outlined below:

- In 2012, Connecticut adopted a biennial budget that included approximately \$1.6 billion in new taxes.
- In late June of 2015, Connecticut adopted an additional \$1.3 billion in new taxes and postponed previously approved tax cuts of \$500 million.
- In late September of 2015, Governor Malloy used his executive powers to cut \$100 million in state spending, leveling two-thirds of those cuts on the state's hospitals. Because those state hospital funds qualify for additional federal funds the hospital cuts amounted to about \$190 million. The Governor attributes the loss in revenue to a drop in capital gains.
- In mid-October of 2015, the Governor called for bipartisan discussions on how to close an additional \$120 million shortfall that has materialized in the current budget.
- The legislature's Office of Fiscal Analysis is projecting budget shortfalls of nearly \$1 billion in fiscal years 2017-18.

What is the Governor saying about the most recent budget problems?

- On October 28th, the day after the EANE roundtable, Governor Malloy released a document (link below) outlining his Administration's thoughts on the budget crisis and offered a number of specific solutions.
http://portal.ct.gov/uploadedFiles/Departments_and_Agencies/Office_of_the_Governor/Press_Room/Press_Releases/2015/10-2015/2015.10.28%20Gov%20Malloy%20budget%20presentation.pdf

What are some of the reasons Connecticut is in this predicament?

- Connecticut's population is both shrinking and aging, resulting in less revenue and greater demands for state assistance.
- High cost of doing business is hindering economic growth (tax revenues).
- Connecticut is increasingly considered an unfriendly place to do business and has an unpredictable regulatory environment which is negatively affecting employment and wage growth.
- Connecticut's budget is overburdened by underfunded long-term pension liabilities.

What are the major obstacles to fixing this problem?

- Legislative leaders have been unable or unwilling to make cuts to spending, opting instead to increase taxes.
- Ample spending cuts have been difficult to achieve because nearly 80-percent of the state budget is untouchable without adopting major structural changes to the state's obligations.

What are the major budget components that are deemed untouchable?

Major budget components:

| | FY15 | (\$Billions) |
|------------------------------|---------|--------------|
| General Fund Budget | \$17.48 | 100.0% |
| State Employees | \$ 2.27 | 13.0% |
| Fringe (Health & Retirement) | \$ 2.60 | 14.9% |
| Debt Service | \$ 2.20 | 12.6% |
| Entitlements | \$ 7.02 | 40.2% |
| Total | \$14.10 | 80.6% |

Entitlements include: Medicaid, TANF, Child Care, SAGA, Aid to the Blind and Disabled

What are some of the things the State can do to get its budget on track?

For the last 16 years, the nonpartisan, nonprofit Connecticut Institute for the 21st Century (CT 21) has been dedicated to identifying ways state government can be more efficient, provide better services, and improve the state's economy. In a series of reports produced since 2010 with accounting firm BlumShapiro, CT 21 has provided a detailed blueprint for realizing short-term and long-term savings and improving state services to Connecticut residents. Here are some of their key recommendations:

CT 21: Sustainable Spending

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- Long-term care - Reform the state's long-term care system to increase the percentage of residents receiving care at home - where most prefer to be - to 75%. Savings to the state: \$900 million annually by 2025. Transitioning 5,200, people out of institutional care by 2020 could save \$218 million per year.
- Corrections - Decrease Department of Corrections costs without compromising public safety by standardizing risk assessment instruments, establishing faith-based programs, sufficiently funding re-entry programs, and increasing partnerships with community-based service providers. Reducing the prison population by 50% by 2020 would save \$240 million per year. In addition, eliminate overtime in the prison system immediately and freeze hiring, allowing attrition to accrue savings.
- Public employee pensions - Eliminate fraud and abuse of the public employee pension system immediately by limiting the amount of compensation increase in a single year that can be counted toward pension benefit averages, eliminate overtime from pension benefit averaging, eliminate reemployment into grandfathered retirement tiers, and eliminate service credits in non-Connecticut government employment. In addition, implement a hybrid or defined contribution plan in lieu of a traditional pension for all new hires.

- Local government - Create regional centers of excellence leveraging the Council of Governments and Regional Education Service Centers structures to provide services to all cities/towns. Savings to state: \$200M per year.
- Nonprofit delivery of services - Use more of Connecticut's nonprofit providers to more cost-effectively deliver higher quality social services.
- Technology - Get state government out of the IT business by adopting cloud technologies and off-the-shelf applications immediately, eliminating the State Data Center by 2020, and reducing the state IT workforce by 50% by 2020.

For more detailed information please go to: <http://www.ct21.org/>

What conclusions did the roundtable come to regarding the budget discussion?

- Connecticut's budget crisis is having an impact on their businesses.
- Without positive structural change, things will only get worse for Connecticut manufacturers.

How can Connecticut manufacturers make a difference?

- Get to know your legislators and get legislators to know why you matter and what is important to you, your business and your employees.
- The best way to do this is to keep your employees educated on what state government is doing that might affect your business.
- Educate your legislators by bringing them out to tour your facility. Show them what you do and who you are and tell them what is important to you. **EANE can help you do this.**

2. POTENTIAL ONEROUS LEGISLATION REGARDING LABOR AND EMPLOYEE

- The roundtable discussed a variety of potential pieces of legislation that could be debated in the 2016 legislative session. The items include: mandates on sick leave policy, predictive scheduling, family medical leave requirements and employee retirement saving mandates.
- Stay tuned for more information as the legislative session gets underway in February, 2016.

3. STATE ASSISTANCE FOR CONNECTICUT MANUFACTURERS

Please find two links below that may help you find state assistance for your company.

http://portal.ct.gov/Departments_and_Agencies/Office_of_the_Governor/Press_Room/Press_Releases/2015/07-2015/Gov_Malloy_Unveils_New_Apprenticeship_Program_to_Grow_Jobs,_Strengthen_Workforce_Skills_and_Boost_State's_Manufacturing_Industry/

<http://ctmvp.ccat.us/>

4. CONNECTICUT'S AGING TRANSPORTATION INFRASTRUCTURE

Connecticut's roads and bridges are in a chronic state of decay. The Governor has proposed a \$100 billion, 30-year plan to rebuild the State's transportation infrastructure. To learn more about Connecticut's aging transportation infrastructure and the plans to upgrade it, see the link below.

http://www.transformct.info/img/documents/CTDOT%205%20YR%20Corrected_2.17.2015.pdf