



## STATEMENT

**Connecticut General Assembly  
Finance, Revenue and Bonding Committee  
May 11, 2015**

The MetroHartford Alliance serves as the region's economic development leader and the City of Hartford's Chamber of Commerce. Our investors include businesses of all sizes, health care providers, arts and higher education institutions as well as the municipalities of North Central Connecticut. Our mission is to ensure that the region competes aggressively and successfully for jobs, capital, and talent so that it thrives as one of the country's premier places for all people to live, play, work, and raise a family.

On behalf of the Alliance and its 600+ investors, we would first like to recognize the significant challenges to adopting a balanced budget for FY'16 – FY'17 and our appreciation for the efforts of the Malloy administration and legislators on both sides of the aisle. In that context, we emphasize our unequivocal opposition to the current budget as proposed by the Appropriations and Finance Committees. The committees' respective spending and revenue proposals significantly expand the size and cost of state government at a time when Connecticut's economy continues to lag the national recovery, especially in terms of the rate of recovery of jobs lost in the 2008 recession. The sales tax increases alone will severely undermine private sector confidence in Connecticut as a place in which to retain, expand, and relocate jobs and in which to invest in equipment and facilities.

Additionally, the proposed budget fails to incorporate any of the permanent and constructive structural reforms along the lines that we noted in our March 19<sup>th</sup> letter to Governor Malloy and the General Assembly. Adoption of these and other similar measures, including those recommended by the Connecticut Institute for the 21<sup>st</sup> Century would send a clear signal to Connecticut's residents and private sector that we have the determination to move the state to a more sustainable and predictable fiscal footing.

As the budget process continues, we repeat our support for a state budget that is balanced, that honors the spending cap as Connecticut voters intended, that implements the structural changes needed to sustain a solid fiscal foundation, and that dramatically strengthens the ability of the private sector to retain and expand employment and capital investment in Connecticut. We urge you and your colleagues, along with the Governor to establish a set of growth goals for the budget so that by December 31, 2017, we will have restored all jobs lost since 2008, plus another 25,000 jobs and will have restored the growth in the State's personal income to an annual average of 5%.

To underscore our commitment to establishing a stronger fiscal foundation, we offer two specific support actions. The first is our willingness to recruit private sector individuals with relevant expertise to help conduct the analysis of the structural reform proposals and to define specific actions that can be adopted in this session or in a special session following June 4th. Secondly, we are willing to participate in discussions on mitigating the revenue shortfall in the FY'16–FY'17 budget as part of a focused effort to implement the structural reforms noted below.

Such actions can lead to the implementation of a comprehensive set of structural reforms that will demonstrate Connecticut's ability and willingness to establish a fiscal framework that supports private sector employment, investment, and new ventures. Such results will in turn generate the critical and sustainable revenues needed to meet the education, health care, infrastructure, and social service needs of all residents.





**R. Nelson Griebel**  
President & Chief Executive Officer

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May 5, 2015

The Honorable Dannel P. Malloy  
Governor  
State of Connecticut  
State Capitol  
Hartford, CT 06106

Dear Governor Malloy:

We write to follow up to our March 19<sup>th</sup> letter, a copy of which is attached, to reiterate our recognition of the significant challenges to adopting a balanced budget for FY'16 – FY'17 and our appreciation for your efforts to date. In that context, we emphasize our unequivocal opposition to the current budget as proposed by the Appropriations and Finance Committees. The committees' respective spending and revenue proposals significantly expand the size and cost of state government at a time when Connecticut's economy continues to lag the national recovery, especially in terms of the rate of recovery of jobs lost in the 2008 recession. The sales tax increases alone will severely undermine private sector confidence in Connecticut as a place in which to retain, expand, and relocate jobs and in which to invest in equipment and facilities.

Additionally, the proposed budget fails to incorporate any of the permanent and constructive structural reforms along the lines that we noted in our March 19<sup>th</sup> letter. Adoption of these and other similar measures, including those recommended by the Connecticut Institute for the 21<sup>st</sup> Century would send a clear signal to Connecticut's residents and private sector that we have the determination to move the state to a more sustainable and predictable fiscal footing.

As negotiations continue, we repeat our support for your efforts to craft a state budget that is balanced, that honors the spending cap as Connecticut voters intended, that implements the structural changes needed to sustain a solid fiscal foundation, and that dramatically strengthens the ability of the private sector to retain and expand employment and capital investment in Connecticut. We also urge you and the Legislature to establish a set of growth goals for the budget so that by December 31, 2017, we will have restored all jobs lost since 2008, plus another 25,000 jobs and will have restored the growth in the State's personal income to an annual average of 5%.

To underscore our commitment to establishing a stronger fiscal foundation, we offer two specific support actions. The first is our willingness to recruit private sector individuals with relevant expertise to help conduct the analysis of the structural reform proposals and to define specific actions that can be adopted in this session or in a special session following June 4<sup>th</sup>. Secondly, we are willing to participate in discussions on mitigating the revenue shortfall in the FY'16–FY'17 budget as part of a focused effort to implement the structural reforms noted below.

Such actions can lead to the implementation of a comprehensive set of structural reforms that will demonstrate Connecticut's ability and willingness to establish a fiscal framework that supports private sector employment, investment, and new ventures. Such results will in turn generate the critical and sustainable revenues needed to meet the education, health care, infrastructure, and social service needs of all residents.

Sincerely,

A handwritten signature in black ink, appearing to be "R. Nelson Griebel", written over a large, faint, stylized graphic that resembles a sunburst or fan shape.

cc: Ben Barnes  
Paul Mounds  
Mark Ojakian  
Members of the Connecticut General Assembly





**R. Nelson Griebel**  
President & Chief Executive Officer

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March 19, 2015

The Honorable Dannel P. Malloy  
Governor  
State of Connecticut  
State Capitol  
Hartford, CT 06106

Dear Governor Malloy:

We recognize the significant challenges that you and the legislature face in crafting a balanced budget for the FY'16 – FY'17 biennium. While we have concerns about certain revenue and expenditure components in the current proposal, we support your call for a budget that is balanced and within the spending cap as well as your advocacy for a “best in class” transportation system. Additionally, we applaud the invitation you extended during your February 18<sup>th</sup> budget address for constructive ideas to improve the budget. It is in the spirit of that invitation that the MetroHartford Alliance submits this letter.

There is an unquestionable need to break the vicious cycle of the last several biennial budgets, budgets that have been characterized by volatile revenues, slow job recovery, stagnant personal income, and steadily increasing non-discretionary expenditures. Under these budgets, we have also seen the underfunding of key services and infrastructure and the transfer of funding responsibilities to the private sector via special assessments and surcharges.

We emphasize that the private sector is the primary generator of the jobs that drive higher wages and personal income which in turn spur revenue growth for Connecticut and its municipalities. Private sector leaders, in making decisions regarding employment, capital investments, and launching new ventures, evaluate numerous factors, including the budgets and regulatory climates of state and local governments.

It is in recognition of that fundamental economic reality in which we drafted our ideas, summarized below. We provide them with the current biennial budget squarely in mind but more importantly, with a strategic focus on the subsequent budgets in FY '18 and beyond. As the current budget negotiations ebb and flow in the months ahead, we urge all parties to analyze and implement these ideas in order to send unmistakable signals to Connecticut's residents and its private sector that we have the collective determination and political will to move the State to more predictable and sustainable fiscal cycles.

We also offer these ideas with a clear understanding of the private sector's obligation to work with you, your administration, and the legislature to identify actions that address the current budget's challenges and, as importantly, build a foundation for the structural change needed to bear fruit in future



budgets. Since our ideas depart significantly from long-established fiscal practices and require additional but prompt analysis, we stand ready to recruit private sector individuals with relevant expertise to help conduct that analysis and to define specific actions that can be adopted this session.

We believe that the implementation of a comprehensive set of such structural reforms will demonstrate that Connecticut can establish a fiscal framework that supports private sector employment, investment, and new ventures that in turn generate the revenues needed to meet the education, health care, infrastructure, and social service needs of all residents. We suggest that public and private sector leaders partner to achieve these structural reforms and commit to achieving three worthy goals by December 31, 2017: restoring all jobs lost since 2008, exceeding that number by 25,000 jobs, and restoring the growth in the State's personal income to an annual average of 5%. To underscore our commitment to establishing a stronger fiscal foundation, we are willing to participate in discussions on mitigating the revenue shortfall in the FY'16 – FY'17 budget as part of a focused effort to implement the structural reforms noted below.

- **CONTRACTING WITH PRIVATE PROVIDERS** – We emphasize our deep respect for the abilities and dedication of State employees and the services they provide in a wide range of key areas. To ensure, however, that tax dollars are spent most effectively, we urge that all future contracts with State employee unions include clear authority for the State to contract with private providers where such providers can deliver necessary services more efficiently or cost-effectively. Moreover, we urge a collective effort to consider new approaches to economic development that engages the private sector directly in developing the requisite strategies around infrastructure investments, marketing the State's assets, and retaining and recruiting private sector enterprises of all sizes; Enterprise Florida provides one model to study.
- **INCENTIVIZING REGIONAL COOPERATION** – In the interest of providing equitable, sustainable municipal funding that also encourages collaboration across towns, we recommend that reforms be instituted in which all municipalities would be guaranteed 90% of the funding that they received in FY '15 with the remaining 10% made available to fund specific regional efforts led by a Council of Governments or by two or more municipalities acting in concert.
- **TRANSPORTATION STRATEGY AND FUNDING** – We enthusiastically support your focus on pursuing a “best in class” transportation system. Such infrastructure investments rank among the most important contributions that the State can make to meaningful and sustainable economic and employment growth. We recognize that establishing and maintaining such a system requires the development of a comprehensive and sustainable funding stream that includes the current gasoline and gross receipts taxes as well as all other transportation related revenue generators such as fees, fines, and registrations. We strongly support such investment so long as the funding and expenditures are clearly defined in a Constitutional Amendment that has to be in full force and effect before the implementation of any revenue related actions.

As importantly, the Amendment must create an independent authority, similar to the Connecticut Airport Authority, that includes private sector representation and that oversees the development and execution of the transportation strategy. The legislation that created the Transportation Strategy Board last decade can serve as a useful model.

Given the comprehensive and complex nature of your proposal, we urge that you and the legislature take two actions by June 3<sup>rd</sup>: (i) pass “lockbox” legislation that secures the special transportation fund for the FY'16 - FY'17 budget; and (ii) convene a special session dedicated

exclusively to the transportation opportunity and to the drafting of the Constitutional Amendment to be included on the November 2016 ballot.

- **MEDICAID REFORM** – As the health care system evolves, policymakers must focus on quality measurement and improvement initiatives to find solutions to deliver better quality care, access to providers, and lower costs. Likewise, Connecticut’s Medicaid program must be efficient and provide value to its beneficiaries and to those who fund it. Currently Connecticut’s Medicaid program is principally run by a single non-profit entity with the State bearing all the risk for health care costs. A better and more cost-effective approach would be to create multiple partnerships with private health plan entities. While these plans would continue to be underwritten with state and federal funds, they could be structured to achieve designated goals while offering adequate provider networks that save taxpayer dollars. Having multiple plans providing quality and cost-effective health care would also introduce the competition and innovation found in most states to help mitigate cost and risk.

Additionally, under Connecticut’s Medicaid system, health care costs are shifted to the private sector through inadequate reimbursement for services provided to Medicaid patients by doctors and hospitals. This places an undue burden on the providers that deliver vital care and serve as major employers in our communities. Connecticut’s Medicaid system needs to be reformed in order to ensure residents’ access to quality, affordable care without resorting to unsustainable cost-shifting to the private sector.

- **STRENGTHENING THE SPENDING CAP** – While the Constitutional spending cap has provided some disciplinary framework for State budgets, we have not demonstrated the capacity to honor the promise of using legitimate surpluses for the appropriate purposes. Accordingly, we urge that the necessary steps be taken this session to submit a Constitutional Amendment for the November 2016 ballot that strengthens the spending cap to ensure that all budget surpluses be used only to repay debt or address any underfunded obligations and that any exception to that principle be approved by a vote of two-thirds of the members of each chamber of the legislature.
- **DEFINED CONTRIBUTION STRUCTURES** – We emphasize our deep respect for State employees and for those who serve in elected and appointed positions and our support for compensation and benefit packages that attract and retain talented individuals in such positions. To ensure that such compensation and benefits can be fully and sustainably funded, we urge that all future contracts with State employee unions ensure equitable treatment for both State employees and Connecticut taxpayers by replacing the current defined benefit plans with defined contribution plans for all individuals hired after on and after July 1, 2017 that include: a 401(k) plan with a State contribution and a State match; and a high deductible health insurance plan with health savings accounts that include an annual State contribution to the latter. Moreover, in order to ensure parity with all engaged in State service, we urge that similar defined contribution plans be adopted this session for all who assume or continue to serve in any elected or appointed office after January 1, 2017.

We also note that a number of well-respected organizations have offered thoughtful ideas and initiatives that are worthy of serious consideration by you and the legislature in addressing Connecticut’s current and structural budget issues. These include Blum Shapiro’s “City of the Future” initiative, the Connecticut Institute for the 21<sup>st</sup> Century, the Pew-MacArthur “Results First” initiative and the efforts of the CT20x17 coalition.



We thank you for your consideration of these ideas and look forward to working with your administration and the legislature to achieve a balanced budget for FY'16-FY'17, one that clearly establishes a foundation for predictable and sustainable budgets in FY '18 and beyond. Please contact me at 860-728-2277 if we can provide further information to develop these ideas.

Sincerely,

A handwritten signature in black ink, appearing to be a stylized 'S' or 'B' followed by a vertical line.

cc: Ben Barnes  
Paul Mounds  
Mark Ojakian  
Members of the Connecticut General Assembly