



CBIA's 2012 Government Affairs Program



Moving Beyond the Jobs Session

Moving Beyond the

Connecticut's 2011 special session showed what can happen when there is a concentrated focus on jobs.

Changing course from recent legislative sessions that raised taxes and adopted costly mandates, the special session was marked by positive, bipartisan action and progress toward rebuilding our state's economic competitiveness.

These first steps must be a new beginning for the state to reawaken our true strengths and potential.

The key is what happens next.

Because we live in a global economy, we have to become more competitive every day. The goal of creating a vibrant economy is the surest way to reach that objective and provide all of our residents with a wellspring of benefits.

This agenda for 2012 outlines many next steps to a healthy, competitive business climate and revitalized economy.

Building on our strengths and encouraging pro-business policies, we can reach Connecticut's immense economic potential.

#1 Location

#2 Skilled Workers

#3 Quality of Life

What are Connecticut's greatest assets from a business perspective?

Source: CBIA/BlumShapiro 2011 Survey of Connecticut Businesses

Jobs Session

Reinventing Connecticut starts with reclaiming our heritage of innovation, ingenuity and entrepreneurship—with the understanding that:

- ▶ **Our strengths far outweigh our challenges.**
Connecticut's economic-base industries and skilled workforce are the envy of most states; we are home to some of the world's most admired and innovative companies.
- ▶ **Our employers are among the best in the United States.**
Wages, benefits, working conditions and opportunities for advancement here are unsurpassed.
- ▶ **Our businesses and government can work better together.**
Being recognized as a business-friendly state will provide multiple benefits in jobs, community investments, and revenues to resource vital public services.
- ▶ **Our business costs are a barrier to jobs.**
Adding new mandates or higher costs for employers should be off the table.



CONTENTS

5 Priorities for 2012

6 Improve Fiscal Policy, Reduce Business Costs

14 Prepare Our Future Workforce

18 Modernize Infrastructures

20 Cut Red Tape

22 Government Affairs Team

Priorities for 2012



► **Improve Fiscal Policy, Reduce Business Costs**

Keep the size and cost of state government within taxpayers' means by making it more efficient and controlling the growth of spending; leverage state tax policy to help drive economic growth.



► **Prepare Our Future Workforce**

Provide all young people with the education they need to be productive citizens and contributors to Connecticut's economic vitality.



► **Modernize Infrastructures**

Modernize Connecticut's transportation infrastructures through prioritized investments, and improve energy reliability in the state.



► **Cut Red Tape**

Reform regulatory policies to make it easier for businesses to invest, grow, and create jobs.

Improve Fiscal Policy, Reduce

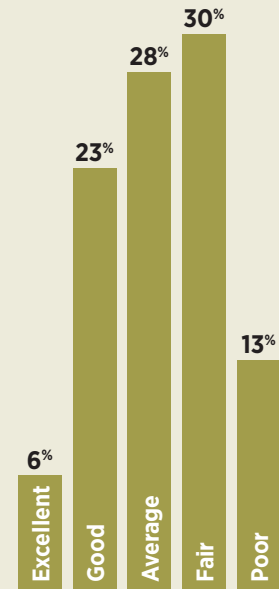
KEEP THE SIZE AND COST OF STATE GOVERNMENT WITHIN TAXPAYERS' MEANS. MAKE GOVERNMENT MORE EFFICIENT AND CONTROL SPENDING GROWTH; LEVERAGE STATE TAX POLICY TO HELP DRIVE OUR ECONOMY.

As the Connecticut Regional Institute for the 21st Century has shown, it's very possible to reduce the size and cost of state government and increase its effectiveness. Controlling state spending and improving efficiency in many aspects of government will help Connecticut provide vital public services in a sustainable way and avoid additional tax increases that hurt our economy.

Uncertain Outlook

Business expectations for the end of 2012

Source:
CBIA/BlumShapiro
2011 Survey of
Connecticut
Businesses



Business Costs



State Spending

Streamline state government

- ▶ **Achieve** cost savings—including at least the \$260 million required by the state employee concession agreement—by adopting the recommendations of the Connecticut Regional Institute for the 21st Century for long-term care, corrections, government retiree benefits, municipal shared services and nonprofit provision of state-run community services.

- ▶ **Continue** to identify cost savings and efficiencies in all aspects of state government.
- ▶ **Expand** the use of lean and other efficiency strategies in state government.
- ▶ **Streamline** state IT and communications resources.
- ▶ **Continue** working to reduce prison recidivism rates to decrease the number and cost of state prisons.

Budget responsibly

- ▶ **Adhere** to the constitutional spending cap in adjusting the state budget.
- ▶ **Encourage** municipalities to work together to deliver services more efficiently and reduce the need for property tax increases.
- ▶ **Eliminate** mandates and other statutory provisions that drive up the costs of municipal services.

State Taxes

Promote tax policy that encourages business investment, jobs, innovation and productivity:

- ▶ **Eliminate** the 70% cap on corporate income tax credits for R&D and fixed capital.
- ▶ **Allow** all business entities to claim and/or pass-through tax credits.
- ▶ **Clarify** the apportionment methodologies applicable to limited liability companies and partnerships to provide a level playing field with corporations.
- ▶ **Address** the insolvency of the state's Unemployment Compensation Trust Fund in a manner that does not burden Connecticut employers with significant and permanent tax increases and encourages displaced workers to return to work as soon as possible.

- ▶ **Sunset** the electricity generator tax.

Continue to work with the Department of Revenue Services on ways to clarify tax policy and eliminate uncertainty over employers' rights and obligations.

- ▶ **Provide** additional guidance on the conduct of ancillary activities in Connecticut to encourage business travel to Connecticut by non-resident employees.

2nd Highest industry
R&D dollars
per capita

Source: Milken Institute State Technology & Science Index 2011

Labor and Employment Costs

Promote jobs by reducing business costs and administrative burdens, and provide greater consistency between state and federal laws.

Some of the biggest barriers to job creation and economic growth are the high costs of doing business and the administrative burdens placed on employers. Policymakers can increase business confidence—and jobs—by making it easier for businesses to compete here.

Workers' Compensation Costs

- ▶ **Control** workers' compensation costs by curbing unfair practices:
 - » **Prevent** price gouging by prohibiting the repackaging and repricing of wholesale medications under new national drug codes (NDC) and require all repackaged drugs to be assigned the same NDC as the original patented manufacturer's.

Fair Labor Standards

- ▶ **Make** state law more consistent with the federal Fair Labor Standards Act (FLSA) and better reflect current labor market conditions by adopting FLSA's:
 - » Exemptions for “highly compensated employees” and computer-related occupations
 - » Standard for meeting professional exempt status under the “Learned Professional” exemption

Family and Medical Leave Act (FMLA)

- ▶ **Give** small businesses more clarity and flexibility in how they may deal with the employment status of employees on medical leave of absence.

- ▶ **Eliminate** the mandatory Department of Labor hearing upon the filing of FMLA complaints.

Employee Drug Testing

- ▶ **Require** the DOL to adopt reasonable-suspicion drug-testing regulations by a specific date, as proposed in 1996 but not yet promulgated.

Control Unemployment Compensation Costs

- ▶ **Address** the insolvency of the state's Unemployment Compensation Trust Fund in a manner that:
 - » Does not burden employers with significant and permanent tax increases

- » Encourages displaced workers to return to work as soon as possible

Implement Miscellaneous Reforms

- ▶ **Amend** Connecticut's paid sick leave mandate to clarify the law's legal ambiguities and problems acknowledged by the State Department of Labor.
- ▶ **Reject** any captive audience proposals.
- ▶ **Reject** any efforts to eliminate the secret ballot process for labor union elections under “card check” proposals.

Healthcare Costs

Reduce costs, increase access and improve quality through Connecticut's private-sector healthcare industry.

State reform efforts must work together with federal initiatives in order to allow our private-sector healthcare system to provide high-quality medical care at reasonable prices. Controlling the costs of healthcare, while improving its quality and increasing access to it, is still the primary goal we need to meet.

- ▶ **Continue** developing Connecticut's federally mandated health insurance exchange in a way that works with our private-sector healthcare system to reduce the number of people without insurance, and:
 - » Improve the coordination and delivery of healthcare

- » Provide sufficient funding for doctors and hospitals, to reduce cost-shifting to the private sector
- » Encourage more private-market participation to create greater competition both within and outside the exchange
- » Promote wellness and chronic-disease management programs
- » Practice complete transparency in health insurance rate-setting

- ▶ **Restructure** existing health benefit mandates and reject any new or expanded ones, in order to:

- » Avoid increasing costs
- » Allow employers to purchase more-flexible health plans

- ▶ **Make** health insurance more affordable and increase access for Medicaid recipients by reducing cost-shifts to the private sector.
- ▶ **Empower** consumers and providers by expanding the use of health information technology.

Energy Costs

Promote economic growth by making energy costs more competitive while improving reliability and fostering efficiency, conservation and technology innovation.

Stability, consistency and reliability are keys to an energy policy on which our economy and jobs can grow. Connecticut's energy policies should help businesses obtain the power they need and help them achieve greater efficiency and lower costs.

► **Restructure** Connecticut's Renewable Portfolio Standards so that its primary function of promoting innovation, jobs and energy security better aligns with the goal of accessing clean and affordable energy.

- **Use** ratepayer dollars efficiently and conservatively to stimulate private-sector investment and achieve the state's energy goals.
- **Expand** innovative financing opportunities for clean-energy investments at commercial and industrial facilities through measures that include the establishment of a statewide Property Assessed Clean Energy program.
- **Sunset** the Connecticut electricity generator tax.

4th

Highest business costs (labor, energy & taxes)

Source: Milken Institute State Technology & Science Index 2011

Environmental Costs

Continue making reforms that enable our economy to grow while safeguarding our resources.

Progress is being made to align Connecticut's environmental and energy policies with an eye toward economic growth within the newly formed Department of Energy and Environmental Protection (DEEP). DEEP should continue refining its operations and modifying its approaches to business in order to accelerate our economic recovery and help restore business confidence in Connecticut.

Enforcement

- ▶ **Encourage** DEEP to work with the Environmental Protection Agency (EPA) to develop a system in which Connecticut and other states with exemplary environmental performance are given the flexibility

to conduct, or authorize through private entities, "compliance-assistance visits" to regulated entities that would be considered "inspections" to satisfy EPA mandates.

Permitting

- ▶ **Expand** lean exercises within DEEP to include identification of state and federal legislative and regulatory changes that would accelerate permitting while still being protective of human health and the environment.
- ▶ **Require** DEEP, when proposing to adopt or renew a general permit, to conduct a:
 - » Fiscal impact analysis as currently required for new regulations
 - » Competitive impact analysis indicating how objectively measurable requirements

(such as emission or discharge limits, technology mandates, sampling and reporting requirements, and fees) compare with similar general permits adopted by the EPA and other northeastern states.

Environmental Cleanup

- ▶ **Require** DEEP to develop a list of options and recommendations for financing the cleanup of contaminated properties that pose an imminent and unreasonable risk to human health or the environment when the individual or entity responsible for causing pollution is no longer viable.
- ▶ **Ensure** that legislative and regulatory proposals to "transform" cleanup laws are consistent with state's priority of growing the economy and creating jobs while protecting public health.

Environmental Priorities and Resources

- ▶ **Require** DEEP to publicly identify the activities, within and outside Connecticut, that most significantly contribute to the pollution of our air, water and land; use funds from the agency's Supplemental Environmental Projects program and work with the Connecticut Academy of Science and Engineering to accomplish this effort.

Underground Storage Tank Cleanup Fund

- ▶ **Create** a new, more efficient system for Connecticut businesses to affordably comply with federal financial assurance requirements associated with the operation of underground storage tanks.

Lean Progress at DEEP

Examples of how some DEEP agencies have used lean to become more efficient

87% Reduction in processing time of initial response letter

Source: Office of Long Island Sound Permit Program

81% Reduction in violation response time

Source: Water Enforcement Program

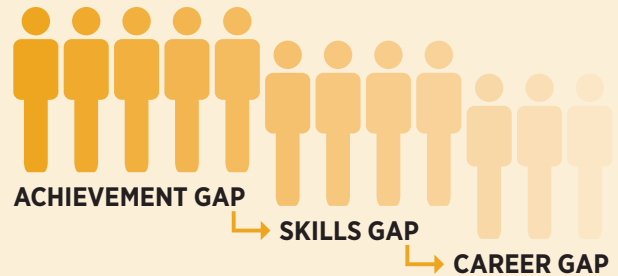
78% Reduction in backlog of pending permit applications

Source: Inland Water Resources Division

Prepare Our Future Workforce

PROVIDE ALL YOUNG PEOPLE WITH THE EDUCATION THEY NEED TO BE PRODUCTIVE CITIZENS AND CONTRIBUTORS TO CONNECTICUT'S ECONOMIC VITALITY.

Our economy's most important strategic asset is the skill, innovation and productivity of Connecticut's workforce. Today's increasingly competitive global economy demands that we raise the academic performance of all students and close the achievement gap. Our state and local governments spend a great deal on public education, and it is critical that those resources are used to create effective learning environments.





Increase Accountability

Evaluation processes and employment practices should be modified to help administrators and teachers enhance their skill sets, identify professional development opportunities and improve overall student performance.

- ▶ **Empower** and encourage boards of education to set policy, oversee school budgeting, and hire, supervise, and evaluate superintendents.
- ▶ **Allow** boards of education the option of establishing five-year renewable contracts with the superintendent.
 - » Promote the establishment of annual district performance goals by superintendents in collaboration with their boards of education and base superintendents' evaluations on annual reported progress toward achieving those goals.
- ▶ **Give** superintendents the autonomy to make managerial decisions according to district goals set by the board of education.
- ▶ **Redesign** principal evaluations to include four graded levels of principal effectiveness, placing significant emphasis on student academic achievement and school success in achieving goals.
- ▶ **Give** principals the flexibility to hire the teachers that best serve the needs of their schools.
- ▶ **Restructure seniority rules** to ensure that effective teachers stay in the classroom regardless of length of time served.

- ▶ **Model** annual teacher evaluations on those used in states that have successfully turned around struggling school systems; define four graded levels of teaching effectiveness, placing significant emphasis on student academic achievement and classroom observations.
- ▶ **Award** tenure after four consecutive years of an “effective” rating based on new evaluation standards.
- ▶ **Tailor** professional development offerings to match teacher evaluation results and provide appropriate training and improvement strategies.
- ▶ **Provide** parents and communities with general data (without using names) about the effectiveness rankings of teachers in each school.

Turnaround Schools

Unlike other states, Connecticut lacks a systematic approach to addressing schools that have consistently failed to improve students’ performance. As a result, there are approximately 120 low-performing schools in the state that for more than five years have failed to make progress under federal guidelines.

- ▶ **Create** within the State Department of Education (SDE) a school “turnaround” office to:
 - » Facilitate rapid and effective intervention in failing schools
 - » Give the Commissioner additional powers to intervene in the lowest-achieving 5% of schools
- ▶ **Improve** teacher and administrator preparation programs by creating uniform

certification requirements that include field experience in underperforming schools.

- ▶ **Approve** additional Alternative Route to Certification programs that have been demonstrated to be effective.
- ▶ **Modify** school administrator preparation programs on effectiveness to include:
 - » Extensive training in teacher evaluation
 - » A special track for school leaders desiring to serve in underperforming schools
 - » A requirement for more field work for prospective leaders

Encourage Transparency

Connecticut and municipal governments are national leaders in supporting public education as measured by per-pupil expenditures. However, it is difficult to track how the money is being spent and measure its effectiveness.

- ▶ **Adopt** a common chart of accounts across the state to show where education dollars are being spent and how much funding is dedicated directly to classroom learning.
- ▶ **Review** SDE regulations to identify and eliminate outdated and irrelevant requirements on districts in order to ease paperwork burdens, reduce costs, and increase efficiency.
- ▶ **Encourage** the effective use of limited dollars, finding efficiencies through shared services and consolidation among districts, for example, in:
 - » Technology and online services
 - » Staff and contractors between schools or districts, where feasible

Promote Technical High Schools and Community Colleges

Connecticut's Technical High Schools and Community Colleges can play an even more significant role in closing the gap between employment skills and job opportunities—evidenced by more than 1,000 advanced manufacturing job openings in Connecticut even during this period of high unemployment.

- ▶ **Follow** the lead of other states and adopt a uniform, nationally recognized skills certification approach in which students attain industry-driven credentials through high school, college and beyond.
- ▶ **Help** students gain a competitive edge by modifying state statutes to allow students 16-18 years of age access to manufacturing facilities for internships, job shadowing, plant tours, and similar educational experiences.

- ▶ **Require** students to complete an internship in order to graduate from technical high schools and community colleges.
- ▶ **Increase** opportunities for students interested in manufacturing and energy careers by working with the Department of Labor to expand the use of apprenticeship programs.
- ▶ **Open** new learning opportunities at technical high schools by assisting the Connecticut Technical High School System in the state-required study of the system.
- ▶ **Support** key manufacturing sectors, ensuring that curriculum meets the needs of industry, by strengthening the use and scope of Trade Technology Advisory Committees (TTACs).
 - » Elevate TTACs from school-specific to statewide or regional entities
 - » Standardize curricula by sector/trade

Modernize Infrastructures



MODERNIZE CONNECTICUT'S INFRASTRUCTURES THROUGH STRATEGIC, PRIORITIZED INVESTMENTS.

Transportation

Upgrading our airports, seaports, railways and highways is critical to supporting a growing economy. With limited state and federal resources available, policymakers must make strategic choices.

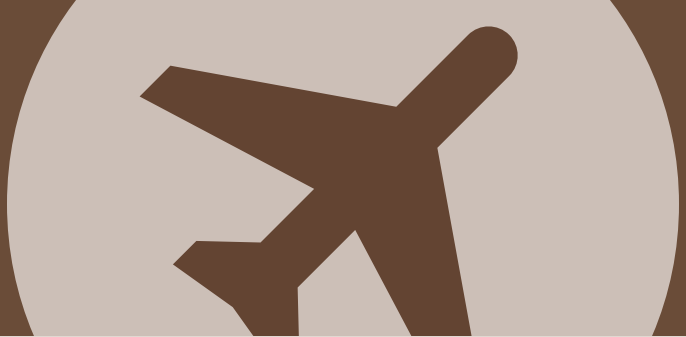
- ▶ **Work** with the new Connecticut Airport Authority and other public and private stakeholders to develop a comprehensive and integrated strategic plan for Connecticut's airports.

8th

Worst infrastructure and transportation in U.S.

Source: CNBC's 2011 Business Rankings

- ▶ **Work** with the Department of Transportation and other public and private stakeholders to develop a comprehensive and integrated strategic plan to improve the condition of certain highways, particularly in Fairfield County (including I-95 and Routes 1, 7, 8 and 15), through a multi-modal approach that incorporates such road enhancements as creating better exit ramp access as well as other operational improvements.



PROMOTE ECONOMIC GROWTH BY ENSURING THAT CONNECTICUT HAS A RELIABLE SYSTEM, REDUCING COSTS, AND ADOPTING NEW RESOURCES AND TECHNOLOGIES.



- ▶ **Use** objective, economic-based analyses to evaluate, prioritize and implement transportation projects.
- ▶ **Modernize** Connecticut's rail systems, including parking facilities and rail freight, to improve connectivity within the state and to New York, Boston and other major markets.
- ▶ **Continue** to develop a strategic and fiscally sound plan to quickly bring all state highways and bridges into good repair.

Energy

Stability, consistency and reliability are keys to an energy policy on which our economy and jobs can grow. Connecticut's energy policies should help businesses obtain the power they need and help them achieve greater efficiency and lower costs.

- ▶ **Work** with electricity utilities, manufacturers and the general business community to improve Connecticut's energy infrastructure and ensure reliability even in times of severe strain to the system.
- ▶ **Modernize** and expand the state's energy infrastructures in order to take advantage of renewable and other clean energy resources within and outside of Connecticut.

Cut Red Tape



REFORM REGULATORY POLICIES TO MAKE IT EASIER FOR BUSINESSES TO INVEST, GROW, AND CREATE JOBS.

Consistency, predictability and fairness in government regulation of businesses will increase employer confidence and the potential for a revitalized economy.

Permitting

Improve the process for developing, adopting, and implementing state regulations to:

- ▶ **Promote** predictability and reduce uncertainty.
- ▶ **Ensure** accessibility, consistency and the use of plain, easy-to-understand language.
- ▶ **Consider** costs and benefits.

- ▶ **Use** the best, most innovative, and least burdensome tools to achieve regulatory goals.

- ▶ **Measure** results.

- ▶ **Specify** performance objectives (rather than the behavior or manner of compliance that regulated entities must adopt).

- ▶ **Review** rules to identify those that may be outmoded, ineffective, insufficient, or excessively burdensome.

Agency Guidance

- ▶ **Require** guidance and policy statements

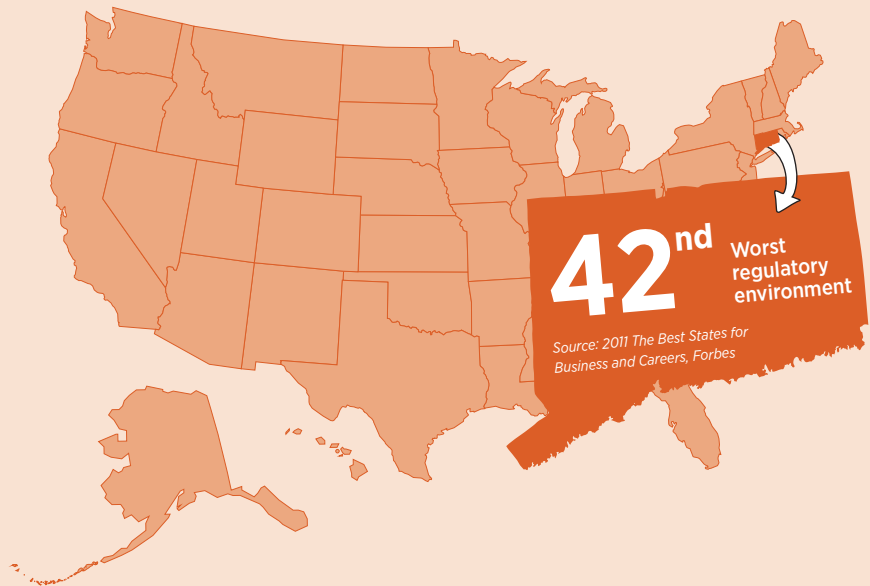


from state agencies to:

- » Be clearly identified as guidance or policy statements
- » Refer to the underlying statutes or regulations they seek to clarify
- » Be compiled and readily accessible to the regulated community

Consistency

- **Require** an analysis of how proposed state regulations differ from similar federal standards and explain why additional stringency would be needed.



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