

Testimony to the Commission on Fiscal Stability and Economic Growth

Prepared by The Connecticut Institute for the 21<sup>st</sup> Century

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Good afternoon, Chairman Smith, Chairman Patricelli, and commission members.

I am Bob Guenther, executive director of The Connecticut Institute for the 21<sup>st</sup> Century, and I appreciate the opportunity to assist you in your vitally important mission.

CT21, as the institute is known, is a nonpartisan think-tank founded in 1997 by Connecticut employers and civic groups to promote policies to help Connecticut realize its enormous economic potential and to encourage adoption of best practices by state and local government. We do not lobby but rather believe in the power of ideas to create change. CT21's first major research report was the Connecticut Strategic Economic Framework, better known as the Gallis report, which outlined a set of priorities for enabling sustained economic growth. That 1999 report famously warned that, unless its recommendations were addressed, our region risked becoming an economic cul-de-sac. The challenges that report raised almost 19 years ago are as relevant today as they were then.

More recently, CT21 has focused its energies on the state's chronic budget crises, since in our opinion the state's budget dilemma is undermining business and consumer confidence, thereby creating a drag on the state's economy. Over several years, we commissioned a series of research reports to examine five drivers of state spending. The last of those reports was issued three years ago. State officials have taken our reports seriously, though none has been fully implemented.

Last spring several legislators from both sides of the aisle asked us to update our estimates of the potential savings that could be realized if our recommendations were fully implemented. Here is what our update concluded:

First, the state should shift more of the delivery of health and human services from state agencies to nonprofit providers. We estimate that over five years the state could save \$1.24 billion by relying more on nonprofits to deliver these services.

A second area where the state could reduce expenses while delivering quality services is to increase the number recipients of long-term care receiving those services in their homes and communities instead of institutional settings. We estimate that this could save the state about \$657 million by 2025 based on the current number of recipients and levels of care they require. Not only is home-based care more economical, most recipients want to remain in their homes. When CT21's long-care report first came out, slightly more than 50% of long-term care recipients were receiving those services in their homes. Since then that percentage has risen to

60%. Given the profile of recipients, we believe that 75% of recipients could receive the services they require in their homes.

Additionally, we believe that by 2020 the state could save another \$250 million from the Corrections budget by continuing to use various programs, such as diversion and probation programs and programs to reduce recidivism, to shrink the prison population by 50%. The state Corrections Department has made major progress in this regard, and we believe those efforts need to go further while at the same time guaranteeing public safety.

Cumulatively, making greater use of non-profit service providers, delivering home-based care to 75% of the eligible long-term care population, and reducing the prison population by 50% could save the state approximately \$2 billion over a number of years without compromising public health or safety.

In addition, there are other opportunities for greater efficiencies for which we have not estimated savings. Foremost among these, as this commission well knows, are the state's pension and retiree health obligations. Together with debt service, retiree obligations are crowding out tax revenue available for human services and investments in our future.

Specifically, we have recommended raising the age threshold for retirement with full benefits; increasing the averaging period for calculating pensions to the final five years instead of the final three, while excluding overtime from calculations; ending retirement incentive programs; eliminating COLAs and longevity payments; delaying medical coverage for early retirees until a specific age; and utilizing a Rule of 90 to qualify for full retirement benefits. The General Assembly has addressed some of these recommendations.

One caveat is that adoption of these proposals will stabilize the finances for the state's pension and health benefits going forward but will not lighten the burden of obligations already accrued.

I'd remiss if I didn't address the importance of workforce development, particularly as it relates to state's vital aviation and defense industry. Last spring CT21 issued a policy brief highlighting steps that the state can take to help supply the talent that the aviation and defense industry requires. Our report noted the aviation and defense workforce in our state is rapidly approaching retirement age, the pool of qualified workers is limited, existing training programs lack capacity to meet the need, and the skills needed are evolving more quickly training curricula.

Among a number of actions, our report urged the state to allow work experience to translate more easily into the instructor certification process and to revisit certification requirements; expand industry input into curriculum design; encourage partnerships with K-12 schools; encourage apprenticeship programs; and raise awareness of programs, such as the Manufacturing Innovation Fund, among employers.

On a final note, I want to impress upon the commission that your work must not stop once you produce your report and a bill is filed with the General Assembly. This is, after all, the land of steady habits, and habits can be extremely difficult to change. However, change we must. That will require a sustained campaign to build understanding and support at the grassroots for your recommendations.

CT21 stands ready to assist you in undertaking further in-depth research to develop concrete strategies for improving our state's outlook. We recently entered a partnership with Trinity College that will increase our capacity to assist policymakers by providing timely research. We would be pleased to partner with the commission going forward.

Thank you for the opportunity to appear before you today.