

COMMISSION ON FISCAL STABILITY AND ECONOMIC GROWTH
WRITTEN TESTIMONY OF HON. DAVID M. WALKER, FORMER U.S. COMPTROLLER GENERAL
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Thank you for the opportunity to submit this written testimony and for all of the efforts of the Commission members and staff to help restore fiscal sanity and economic growth in Connecticut. My name is Dave Walker. I live in Bridgeport, CT and I am a professional problem solver. I am also the immediate former Comptroller General of the United States, a CPA, a former Partner and Global Managing Director of Arthur Andersen, an inductee into the Accounting Hall of Fame, and a leading fiscal responsibility and government transformation expert. As U.S. Comptroller General and CEO of the U.S. Government Accountability Office (GAO), I led GAO's efforts that resulted in saving federal tax payers over \$300 BILLION in 10-years.

In the interest of full and fair disclosure, I am also a candidate for the Republican nomination for Governor of Connecticut. However, this testimony is fact-based, non-partisan and non-ideological in nature.

Our state is facing major challenges, but they can be solved with a professional problem solver who has a proven track record of making major changes in government. Connecticut has gone from a Top 5 to Bottom 5 state in financial condition, competitive posture, and migration patterns over the past 30 years. We are losing jobs and citizens are fleeing. Stated differently, Connecticut has gone from a flagship state to a sinking ship during the past three decades. However, it's not too late to save our ship of state.

Connecticut has raised taxes, increased regulation and adopted such an anti-business approach that revenues are declining as businesses and individuals flee our state. As a result, real estate prices have declined and many other adverse consequences have occurred. Connecticut currently faces mounting debt, huge unfunded retirement obligations, a deteriorating infrastructure, and an education and skills gap disparity that must be addressed in order to create a better future.

While Connecticut faces huge challenges, they can be solved by a professional Turnaround Team that is focused on creating a better future in the state and not on politics. Time does not allow me to cover the many actions that are needed to put the state's finances in order, increase economic growth and job opportunities, and restore integrity and accountability to government in Connecticut. I have summarized many of these actions under the "Dave's Commitments to Connecticut" section of my website at www.DaveWalkerCT.com.

Therefore, I will focus this written testimony on the following five key issues:

First, Connecticut businesses and individuals are overtaxed and over regulated. We must reverse course and reduce tax and regulatory burdens. Some tax relief to keep businesses and individuals who disproportionately contribute to the state's tax base in the state needs to occur quickly. Major and broad-based tax reductions will be possible when Connecticut right-sizes state government, restructures its compensation/benefit programs, and reforms its welfare system. Significant improvements in economic growth and job opportunities can happen only after we put the state's finances in order. CEO's, Boards and sophisticated investors can read financial statements and understand budget debates. Connecticut's financial statements and budget projections make it clear that our state has "fiscal cancer". We can beat this cancer but only if we recognize reality and begin to aggressively treat the root causes of the disease.

Second, Connecticut needs to strengthen its basic fiscal controls in order to get back on track and provide more effective fiscal discipline and stability over time. For example, the state should make it clear that borrowing cannot be used to "balance" the state budget. The state spending cap should be based on "net state spending" and should include all pension and other retirement obligations. We should also adopt a No Budget: No Pay policy in connection with the state budget. After all, Connecticut was the last state to pass a budget this past year. Finally, there should be serious sanctions, including personal liability for responsible parties, for any diversion of "trust fund" assets (e.g., transportation trust fund) for undesignated purposes.

Third, Connecticut has lost control of its budget and faces large and growing structural deficits due; in large part, to unreasonable, unaffordable unsustainable and unfunded pension and retiree health care obligations for government employees. The SEBAC agreement can and must be overridden legislatively using the sovereign powers of the state. In addition, Connecticut must restructure such benefits so they are competitive, affordable and more secure. Failure to do so will result in additional pressure for increased taxes, reductions in education funding, municipal assistance, and infrastructure funding. Failure to effectively address this issue can also eventually result in a shredding of the state's social safety net for those who are truly in need over time. These are all unacceptable outcomes that must be avoided. Connecticut should also enact a streamlined and simplified form of ERISA into state law as a framework for the needed restructuring and future actions.

Fourth, Connecticut has among the most, if not the most, generous welfare systems in the country. As a result, our state has become a magnet for individuals who rely on welfare programs. Connecticut's current system is subject to significant waste and abuse, it discourages work and marriage, and it creates a cycle of multi-generational dependency. Our welfare system must be reformed to provide a sound and secure safety net for those who face temporary setbacks and those with serious long-term disabling challenges. At the same time, additional steps need to be taken to create additional job opportunities, enhance training programs and adopt judicial reforms in order to provide a path forward for those who have been stuck in a cycle of poverty.

Fifth, you can't have a great state if several of its largest cities are headed for bankruptcy and have non-competitive property taxes. Such is clearly the case in Connecticut. We must provide mechanisms to restructure municipal finances outside of bankruptcy and promote economic development in our cities. Businesses, millennials and retirees want vibrant cities. They don't have to be big but they must be safe, financially sound and have interesting things to do.

In closing, Connecticut is a beautiful state, with a proud history, a great geographic location, a great quality of life, four distinct seasons, and a highly educated workforce. Our state has significant potential, and we can be a leading versus laggard state again. However, our state needs a major course correction if it wants to create a better future. Connecticut is in dire need of less partisan politics and more professional problem solving. The 2018 elections may be our last chance to make a Connecticut Turnaround a reality. It's up to the voters of Connecticut to express their views and elect a Connecticut Turnaround Team focused on solving problems. Hopefully they will do so.

Thank you again for the opportunity to testify and for your efforts.