

**Commission on Fiscal Stability and Economic Growth**

**MEETING MINUTES**

**Friday, February 9, 2018**

**12:00 PM- 4:00 PM IN ROOM 2E OF THE LOB**

**I. CONVENE MEETING:**

**The meeting was called to order at 12:00 P.M. by Co-Chairman Smith.**

The following Commission members were present:

Robert Patricelli (Co-Chair), James Smith (Co-Chair), Cindi Bigelow, Greg Butler, Roxanne Coady, Paul Mounds, Eneas Freyre, Michael Barbaro

Absent were:

Pat Widlitz (Vice-Chair), Bruce Alexander, David Jimenez, Jim Loree, Chris Swift, Frank Alvarado

Co-Chairman Smith began his opening remarks by acknowledging all of the continued hard work by the appointed commissioners as well as the input from the interested parties which they will hear from at today's hearing. He noted that Connecticut's fiscal stability is under threat, with both public and private investment in the state lagging. He further commented that the state's fiscal stability is impacted by fixed expenses that are growing at a rate faster than that of revenues. He explained that this group has heard from a number of different parties over the last month including various agency heads, city leaders, as well as national experts, all in an effort to gather testimony and assimilate information. He thanked these groups for testifying and offering their support to the commission. He explained that the commission has been gathering testimony and assimilating information to prepare them for making their proposals. He further explained that the commission has organized its structure along work streams to enhance the commission's efficiency so the members can come together to make their proposals. He noted that while the commission has taken in testimony they have not made any proposals yet. He followed by thanking labor leaders for agreeing to speak before the commission and introduced those who would be speaking next.

**II. REMINDER OF PUBLIC REMARKS OPPORTUNITY:**

Co-Chairman Smith reminded members of the public that they can submit their comments in writing at any time to [fintestimony@cga.ct.gov](mailto:fintestimony@cga.ct.gov) . He further explained that members of the commission will give all comments consideration as they deliberate and prepare their final report prior to their March 1<sup>st</sup>, 2018 deadline.

**III. LABOR LEADERSHIP:**

Lori Pelletier, President of Connecticut AFL-CIO, introduced herself, as well as Donald Williams Jr., Executive Director of the Connecticut Education Association, Dan Livingston, Labor Attorney and Chief Negotiator for the State Employees Bargaining Agent Coalition, and Sal Luciano, Executive Director of AFSCME Council 4 and Executive Vice President of the Connecticut AFL-CIO.

Donald Williams, Jr., offered five suggestions to the commission regarding tax reform. First, he recommended a change similar to the Minnesota Marketplace Sales Tax Law, to modernize the sales tax to capture more online sales by taxing third party sales through large online retailers. Second, he suggested modernizing the income tax by eliminating loopholes for the wealthy. Third, he recommended that the state join a state compact to close the carried interest loophole. Fourth, he suggested a top-to-bottom review of tax expenditures and credits with the elimination of those that unnecessarily benefit a corporate client. Fifth, he recommended increased transparency regarding remaining tax expenditures and credits.

Following his portion of the presentation, there was a question and answer period from commission members as detailed below:

Co-Chairman Robert Patricelli asked for clarification regarding taxing internet sales and a Minnesota law that requires large corporations to collect sales tax from third party sales. Donald Williams also addressed a related question from Co-Chairman Smith about the status of the aforementioned Minnesota law which is due to take effect next year.

Co-Chairman James Smith expressed agreement with Mr. Williams' suggestions of modernizing the sales tax and bringing greater transparency to tax credits and expenditures. He asked about the effects on Connecticut's tax collection if it signs onto a compact with other states to close the carried interest loophole. Mr. Williams expressed that such a compact would not place the state at a disadvantage in revenue collection compared to other states.

Greg Butler asked Mr. Williams if he has any knowledge as to estimates of sales tax revenue that Connecticut could collect from internet sales. Mr. Williams was not aware of a particular number but did express a need for more study. Mr. Butler and Mr. Williams also discussed factors that may contribute to the unreliability of revenue collection predictions. They also discussed the impact of outmigration and its effect on revenues. Mr. Butler and Mr. Williams had a discussion about the influence of home-rule and the hurdles to regionalization. Co-Chairman James Smith added his desire to gain a greater understanding of home-rule and the possible incentives to towns to encourage measures in line with regionalization.

Roxanne Coady asked Mr. Williams about what possible incentives towns could be given to encourage regionalization. He responded by mentioning that incentives could be financial in nature but that mandates could also be an option. Ms. Coady and Mr. Williams had a discussion about the state's economic recovery following the Great Recession. Mr. Williams clarified that while the state's recovery was not stellar that it was still a recovery. Ms. Coady ended her questioning by commenting that she agrees with Co-Chairman Smith over the need to work together on developing a dialogue to produce greater efficiencies amongst towns.

Cindi Bigelow and Mr. Williams had a discussion regarding outmigration of the wealthiest residents from the state. This discussion continued with additional comments from Co-Chairman Smith regarding the state's competitiveness, particularly when compared to our neighboring states. Co-Chairman Smith contended that Connecticut's economy is in fundamental decline, to which Mr. Williams disagreed. The two did conclude by agreeing on the need for the development of vibrant urban centers in the state.

Lori Pelletier gave a presentation focused on the defending labor unions and addressing labor abuses by employers. She voiced support for a \$15 minimum wage and measures to help close the gender pay gap. Ms. Pelletier also suggested penalties for employers who enroll their employees in state and federal assistance programs, such as SNAP and Husky. She also condemned any suggestion of 'right-to-work'.

A link to the presentation by labor leadership can be found bellow:

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/Connecticut%20Labor%20Coalition%20Presentation.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/Connecticut%20Labor%20Coalition%20Presentation.pdf)

Following her portion of the presentation, there was a question and answer period from commission members as detailed below:

Co-Chairman Patricelli emphasized that no one on the commission is bringing up 'right-to-work' as a possible recommendation. Paul Mounds and Lori Pelletier had a discussion about a low-wage employer fee. Cindi Bigelow added her comments on Ms. Pelletier's presentation, agreeing that loopholes are completely inappropriate. Michael Barbaro added his comments regarding employer schedules and the minimum wage. Co-Chairman Smith also added his comments regarding the state's current fiscal situation and the impact of legacy liabilities.

Greg Butler and Dan Livingston had a discussion on the impact of outmigration. Mr. Butler and Mr. Livingston both agreed that tax reform could have a positive impact on the issue. Don Williams added his comments focusing on the need for improving infrastructure and revitalizing urban areas.

Sal Luciano gave his portion of the presentation, focusing on funding for state and city pensions. He spoke strongly in defense of pensions overall and discussed the impact that pensions have for retiring employees.

Don Williams spoke against pushing teacher pension costs onto municipalities and funding through regressive property taxes. He spoke of the need to stabilize and re-amortize the teacher retirement fund and to make the year-to-year payments on it manageable for the state. Greg Butler asked whether the re-amortization would add billions in long term costs. Mr. Williams stated that such a move would help get the state through its financial issues.

Mr. Butler and Mr. Livingston had a discussion over the details of SEBAC negotiations, including pension contributions and estimated rate of return. Mr. Butler asked Mr. Livingston clarified points regarding the assumed contribution rate and the use of a rate of 6.9%.

Mr. Livingston gave his portion of the presentation, focusing on collective bargaining and the benefits of a defined benefit program on healthcare costs. He also spoke of the costs associated with a decade of budget costs and layoffs. He also spoke the ‘social cost’ of issues related to income and racial inequality in the state.

Ms. Pelletier spoke critically of the commission’s short time frame and a ‘focus in one direction.’ She also spoke of supporting an ‘economy for all’ that benefits everyone and not just the wealthy.

Co-Chairman Smith and Mr. Livingston had a discussion on ‘shared -sacrifice’ and the need for all parties involved to come together to develop and move forward together.

#### **IV. HARTFORD FOUNDATION FOR PUBLIC GIVING:**

Robert Patricelli introduced Jay Williams, President of the Hartford Foundation for Public Giving. His presentation can be found by following the link below:

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/Jay%20Williams-Hartford%20Foundation%20for%20Public%20Giving.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/Jay%20Williams-Hartford%20Foundation%20for%20Public%20Giving.pdf)

Following his presentation, there was a question and answer period from commission members as detailed below:

Paul Mounds and Jay Williams had a conversation regarding the importance of investing in infrastructure as a way to promote growth and remain competitive, as well as a discussion regarding the role of philanthropy today.

Co-Chairman James Smith and Mr. Williams had a discussion about the relationship between municipal leaders and labor.

Cindi Bigelow offered her comments about Mr. Williams’ presentation, making note of his emphasis on establishing the facts and bringing both sides to the table.

Roxanne Coady and Mr. Williams had a discussion focused on the importance of early childhood education and entrepreneurship.

#### **V. CT21:**

Co-Chairman Smith introduced Bob Guenther, Executive Director of the Connecticut Institute for the 21<sup>st</sup> Century. His presentation documents can be found by following the links below:

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/CT%20Institute%20For%20The%2021st%20Century%20Presentation.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/CT%20Institute%20For%20The%2021st%20Century%20Presentation.pdf)

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/Bob%20Guenther,%20Executive%20Director,%20The%20CT%20Institute%20for%20the%2021st%20Century.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/Bob%20Guenther,%20Executive%20Director,%20The%20CT%20Institute%20for%20the%2021st%20Century.pdf)

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/CT%20Institute%20For%20the%2021st%20Century%20\(2\).pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/CT%20Institute%20For%20the%2021st%20Century%20(2).pdf)

Following his presentation, there was a question and answer period from commission members as detailed below:

Cindi Bigelow asked Mr. Guenther for clarification regarding the outsourcing of healthcare by the state to Oak Hill. He said that the difference between the pay that outsourced employees receive compared to state employees had led to a retention and turnover problem for those businesses.

Greg Butler asked for more information about how prison populations in the state could be reduced by 50% without a risk to public safety. Mr. Guenther, in an effort to save the commission time, said he would get Mr. Butler that information later.

Paul Mounds and Mr. Guenther had a conversation that clarified that a reduction in prison population did not necessarily mean just closing prisons, but rather that public policy decisions would help with the reduction. The two also had a discussion regarding non-profit delivery of services and the impact on FTE's. Mr. Mounds and Mr. Guenther also discussed the relationship between home-rule and collective bargaining units.

Eneas Freye and Mr. Guenther had a brief discussion around long term care and recipients of state services.

Co-Chairman Smith and Bob Guenther had a discussion regarding the state's investment in IT. They discussed the outsourcing of IT and data-both agreed that the subject itself warranted a much longer discussion given the status of Connecticut's IT sector.

## **VI. CONNECTICUT ECONOMIC RESOURCE CENTER:**

Robert Santy, President and CEO of Connecticut Economic Resource Center, gave his presentation to the commission. Links to his written testimony and presentation can be found below:

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/Robert%20Santy,%20CERC,%20Testimony.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/Robert%20Santy,%20CERC,%20Testimony.pdf)

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/CT%20Economic%20Resource%20Center%20\(CERC\)%20Testimony%20.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/CT%20Economic%20Resource%20Center%20(CERC)%20Testimony%20.pdf)

Following his presentation, there was a question and answer period from commission members as detailed below:

Cindi Bigelow and Robert Santy had a conversation about alignment over strategic priorities between leadership and the public. Robert Santy noted that leadership needed to make the final decision when leadership understands that certain things need to happen.

Paul Mounds and Mr. Santy had a discussion around the budgeting process and spending priorities. Co-Chairman Smith continued the conversation with questions in regards to getting legislative leadership and the executive branch to approach the budget process with a new model that focuses on revenue first and how it can be spent.

## **VII. THE ALLIANCE VOICE OF COMMUNITY NONPROFITS:**

Gian-Carl Casa, President and CEO of the Alliance, Heather Gates, President and CEO of Community Health Resources, and Andrea Barton Reeves, President and CEO of HARC, Inc., gave a presentation focusing on the role of non-profit organization in delivering social services.

During Heather Gates's portion of the presentation Co-Chairman Patricelli interrupted to ask about privatization of important social services and the use of non-profit organizations to achieve greater cost efficiencies. Mr. Patricelli, Mr. Butler, Mr. Mounds, Ms. Gates, and Mr. Casa had a discussion around the SEBAC negotiations and moving state agencies towards the use of non-profits for social services. The commission members questioned why state agencies haven't already transferred these services over to non-profits if the cost savings would be so substantial.

Links to the Alliance's documents can be found below:

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/The%20Alliance%20Testimony.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/The%20Alliance%20Testimony.pdf)

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/The%20Alliance%20Testimony%20\(2\).pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180209/The%20Alliance%20Testimony%20(2).pdf)

Following Ms. Barton Reeves' portion of the presentation there was a question and answer period from commission members as detailed below:

Cindi Bigelow asked for clarification from Ms. Barton Reeves over aligning state funding for non-profits to achieve their objectives.

Co-Chairman Patricelli asked Ms. Barton Reeves about the purchasing power and primary payers of HARC. She noted that they do not have purchasing power and that their primary payer is the state on Connecticut.

Greg Butler offered his comments in support of the work done by non-profit organizations and shared his own personal experience with a long-term caregiver.

Michael Barbaro, Co-Chairman Robert Patricelli, Co-Chairman James Smith, Roxanne Coady, Heather Gates, Gian-Carl Casa, and Andrea Barton Reeves had a conversation focusing on how non-profits can be utilized when considering restrictions in the SEBAC agreement, as well as the effects of a possible tax on non-profit organizations. There was also discussion over competitive bidding processes for non-profit organizations and implementing results based accountability.

#### **VIII. PUBLIC OPEN COMMENTS AND RECOMMENDATIONS:**

Joe Visconti offered his testimony in support of tolls and working with the Trump administration to expedite the process in order to bypass certain regulations. He also advocated for the elimination of the corporate income tax.

Sean Ghio, Policy Director for the Partnership for Strong Communities, advocated for zoning to allow more multi-family housing across municipalities. He addressed the need for more affordable housing in the state. Co-Chairman Smith, Paul Mounds, and Mr. Ghio discussed the need for policies to tackle the cost of living and the impact of zoning on growth.

#### **IX. ADJOURNMENT**

**The meeting was adjourned at 4:20 PM by Chairman Smith.**

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**Respectfully submitted,**

**Hayden Schwarm**

**Assistant Clerk**