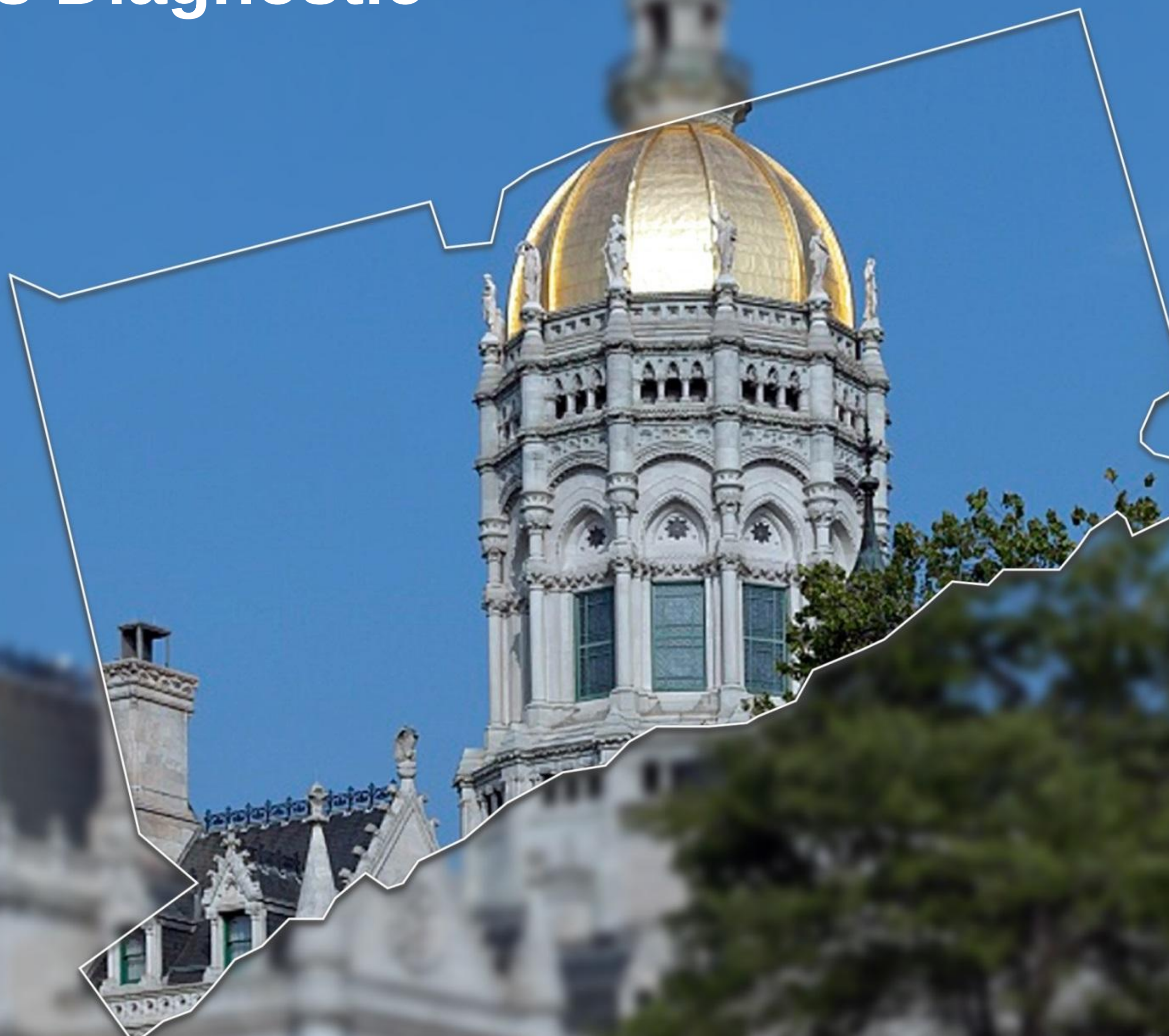
Connecticut Economic Competitiveness Diagnostic

Summary Results

Presentation to Commission for Economic Competitiveness

April 8, 2016



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Topics for today's discussion

- Context for the Connecticut Economic Competitiveness Diagnostic
- Connecticut's long run of strong economic growth
- Recent trends that have created a new economic normal
- Connecticut's distinctive assets
- Five potential themes for further exploration

The Economic Competitiveness Diagnostic provides a fact base for discussion but is limited in scope

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Commission on Economic Competitiveness

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Strengthening Businesses. Strengthening Communities.

This diagnostic did…	This diagnostic did not…
✓ Assemble an independent, data-driven fact base	✗ Intend to be comprehensive in scope
✓ Incorporate a diverse range of perspectives	✗ Engage all possible stakeholders
✓ Identify potential themes for the Commission consideration	✗ Make policy or strategy recommendations

Importantly, this diagnostic is just one element of the work that will help shape the Commission's' focus and priorities

The diagnostic is one element of a broader effort to understand and improve Connecticut's economic competitiveness

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1. Diagnostic

- Fact-based assessment of current strengths and challenges
- Additional competitiveness diagnostics (e.g., on taxes)
- Launch of ongoing stakeholder engagement
- Alignment around shortlist of priorities

2. Strategy development

- Integrated plan and vision
- Detailed strategies for high priority near term opportunities (e.g., best practice research, detailed initiative design, feasibility testing, implementation plan, budgeting)

3. Execution

- Resourcing and implementation of near-term opportunities
- Strategy design for longer-term opportunities
- Performance management and reporting

The diagnostic was developed through data analysis and qualitative input from interviews

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Assembled an independent, data-driven fact base

- Federal, state, and private data sources
- Existing reports and analyses
- Comparison of Connecticut versus regional peer states and by MSA

Incorporated a diverse range of perspectives

- 75+ interviews across sectors and regions
- Engagement with ~200 economic development professionals

Private sector

- Large companies
- Start-ups
- Site selection firms
- Trade associations

Public Sector

- Executive branch
- Legislators
- Commission on Economic Competitiveness members
- City and town officials

Social sector

- Foundations
- Direct service organizations
- Academia

The Connecticut Economic Competitiveness diagnostic: Key takeaways

- **Connecticut has had a long run of strong economic performance**, making it a great state to live and work

- **Recent trends have created a new economic normal** and pose challenges for the state's competitiveness
  - A. Global and national forces are reshaping Connecticut's traditional core sectors
  - B. Peers are closing the gap on Connecticut's livability and cost advantages
  - C. Population trends are reshaping Connecticut's workforce
  - D. Perceptions are hardening on state governance and fiscal uncertainty

- **Connecticut has a portfolio of distinctive assets to address these trends** and ensure long-term competitiveness

- **Five themes have emerged as potential areas for the Commission to consider exploring in further detail**
  - **1. Cities**: How should Connecticut revitalize its urban cores?
  - **2. Growth sectors**: How can Connecticut support its high potential, fast-changing sectors?
  - **3. Transportation**: What investments will best connect talent and businesses?
  - **4. Fiscal outlook**: How can Connecticut address its pension and budget challenges to restore business confidence?
  - **5. Public-private engagement**: How can the State and the private sector collaborate to jointly support long-term growth?

Connecticut's economy performs well along several important indicators, reflecting a long run of strong economic performance

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GDP per capita, 2014

Rank	State
1	Alaska: $66.2K
2	North Dakota: $65.2K
3	New York: $64.8K
4	**Connecticut: $64.7K**

Productivity[1], 2014

Rank	State
1	Alaska: $143.1K
2	New York: $139.8K
3	**Connecticut: $138.6K**
4	California: $133.2K

Median household income, 2014

Rank	State
1	Maryland: $76.2K
2	New Hampshire: $73.4K
3	Hawaii: $71.2K
4	**Connecticut: $70.2K**

1 Measured as GDP per worker

SOURCE: Moody's Analytics; BLS; US Census Bureau

The recession disrupted Connecticut's long run of solid economic growth

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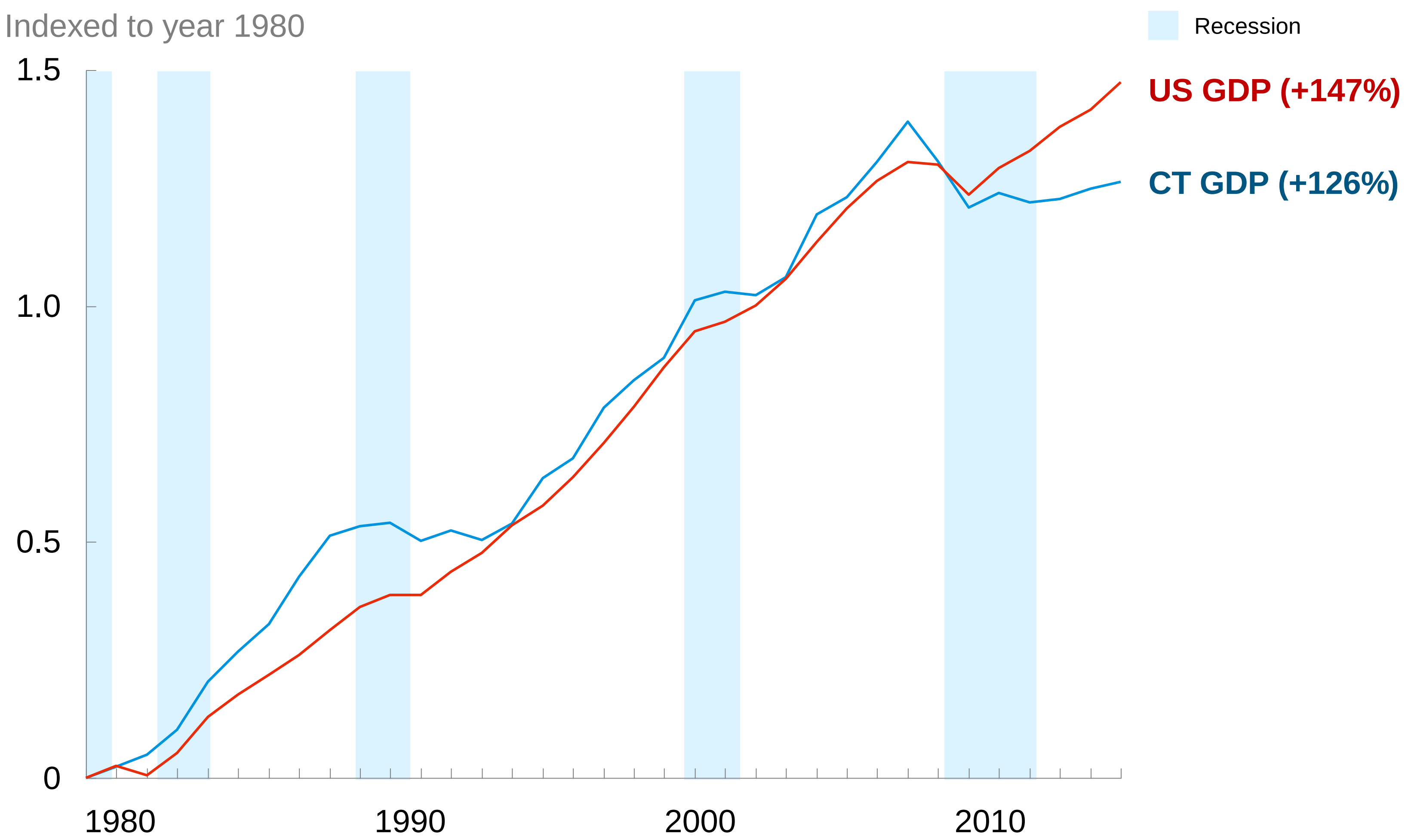
Real GDP, population, and employment, 1980-2014



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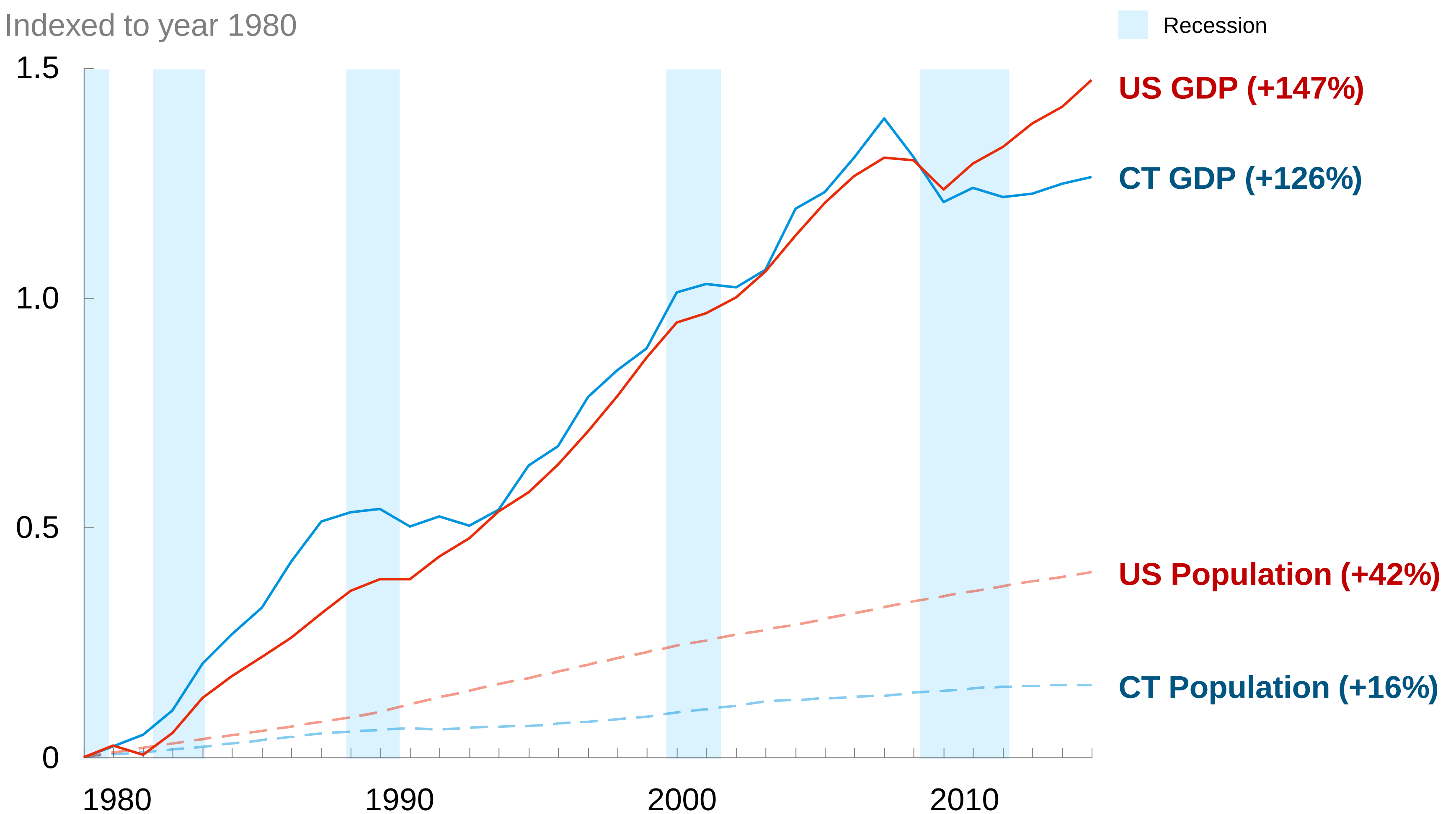

SOURCE: Moody's Analytics; BLS; ACS; US Census

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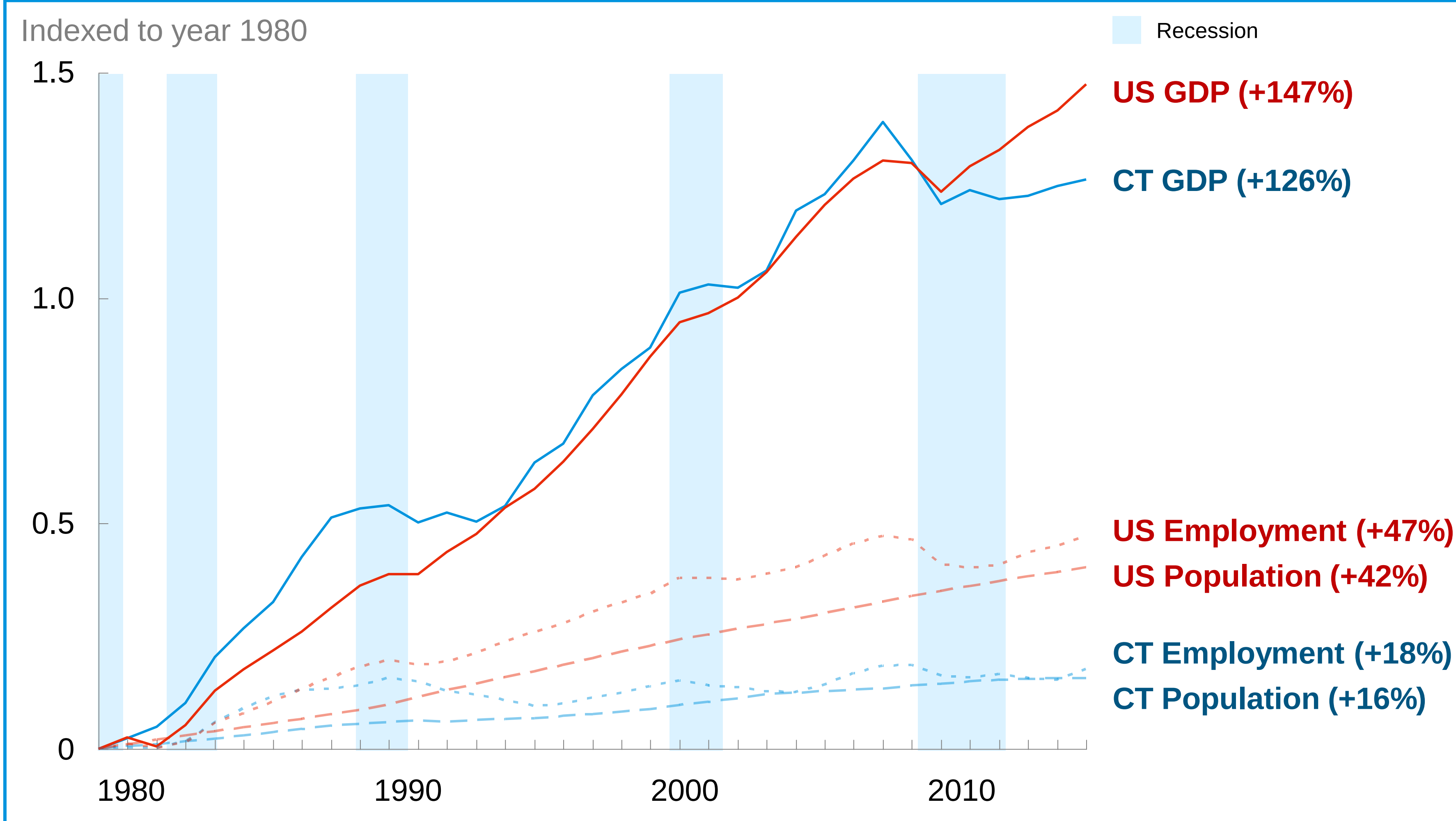

Emerging trends have created a new economic normal and pose challenges for the state's competitiveness

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- **Global and national forces are reshaping Connecticut's traditional core sectors**
- **Peers are closing the gap on Connecticut's livability and cost advantages**
- **Population trends are reshaping Connecticut's workforce**
- **Perceptions are hardening on state governance and fiscal uncertainty**

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Manufacturing, Finance and Insurance have faced recent challenges

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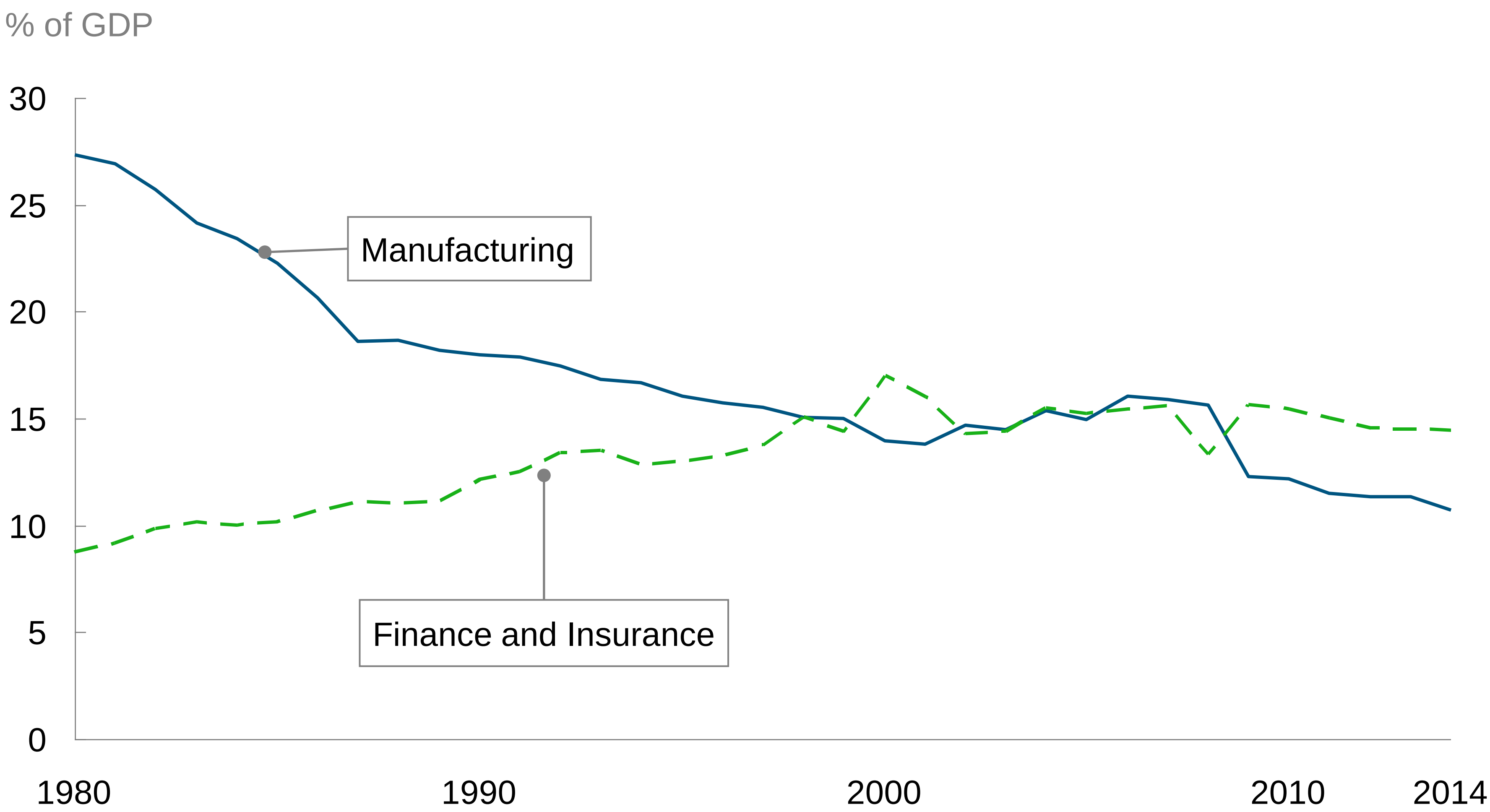
Connecticut industry mix, 1980-2014



SOURCE: Moody's Analytics; US Bureau of Labor Statistics

Connecticut industries adding the most jobs pay below the state's current average wage

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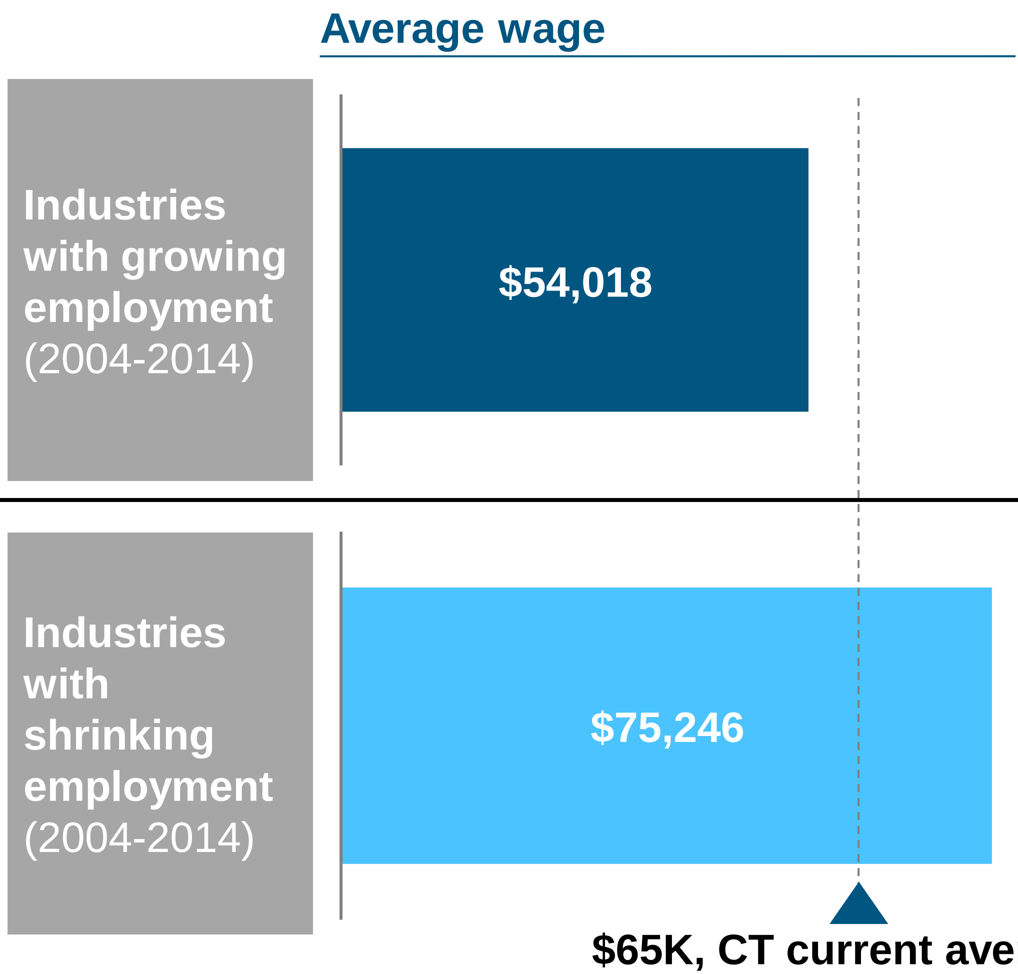

Fastest changing industries

- Educational Services
- Accommodation and Food Services
- Health Care and Social Assistance

- Manufacturing
- Information
- Construction

Note: all figures are based on December 2014 data; excludes Agriculture and Mining related sectors
Measured as total wages & disbursements divided by total employees in industry

SOURCE: U.S. Bureau of Labor Statistics (BLS): Current Employment Statistics (CES), Quarterly Census of Employment and Wages (QCEW); Moody's Analytics

Job creation by young companies in recent years has not returned to pre-recession levels

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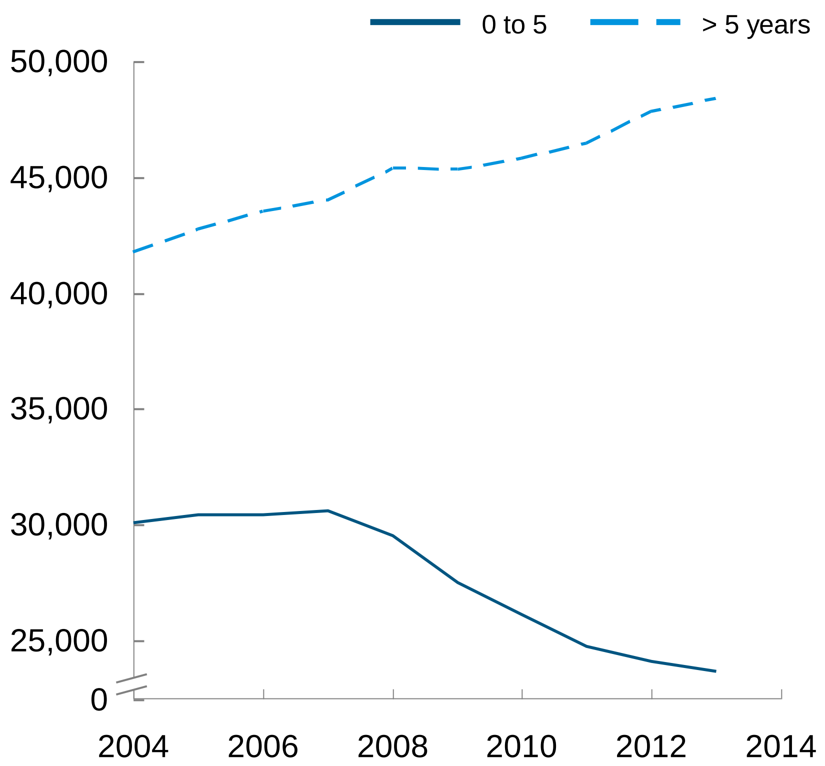
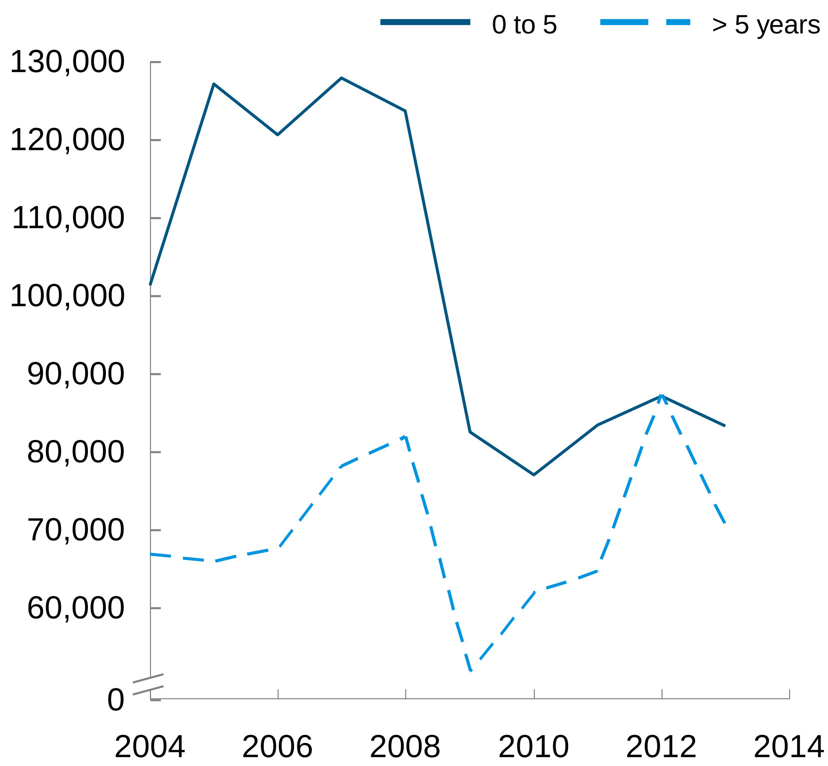
Connecticut firms by age
Number of firms



Connecticut job creation by age of firm
Number of jobs



0-5 year old firms accounted for **33%** of total firms and **54%** of jobs created in 2013, ranking Connecticut **40th** (lowest) in the U.S.

NOTE: Excludes data for companies where establishment data is unknown (~10-15% of total Connecticut firms)

SOURCE: U.S. Census Longitudinal Business Database

However, Manufacturing, Finance and Insurance remain competitive growth engines for Connecticut

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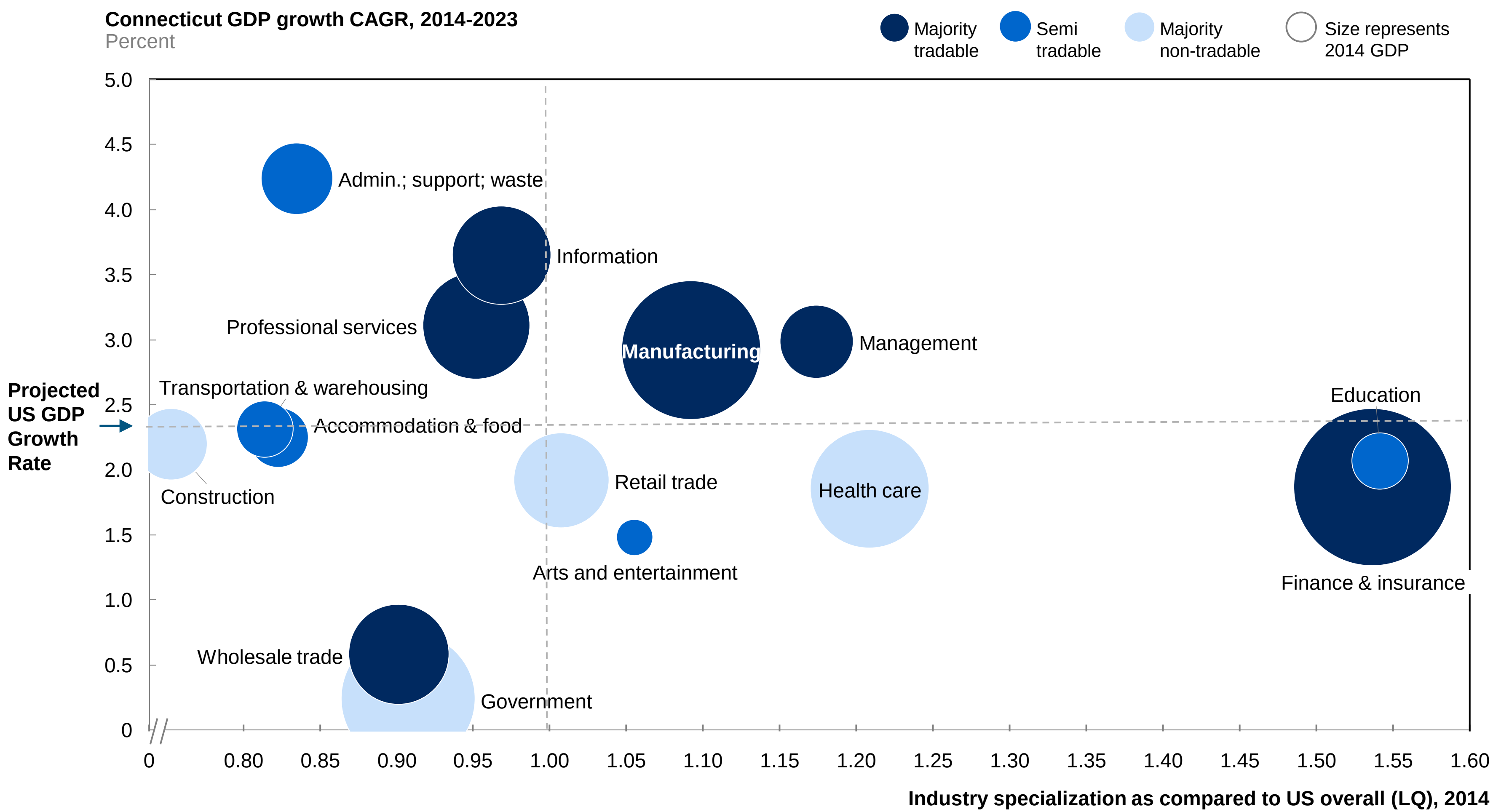
Connecticut projected sector performance (2014-2023) compared to specialization



Emerging trends have created a new economic normal and pose challenges for the state's competitiveness

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Global and national forces are reshaping Connecticut's traditional core sectors

Peers are closing the gap on Connecticut's livability and cost advantages

Population trends are reshaping Connecticut's workforce

Perceptions are hardening on state governance and fiscal uncertainty

While Connecticut has always been safe and livable, peers have closed the gap

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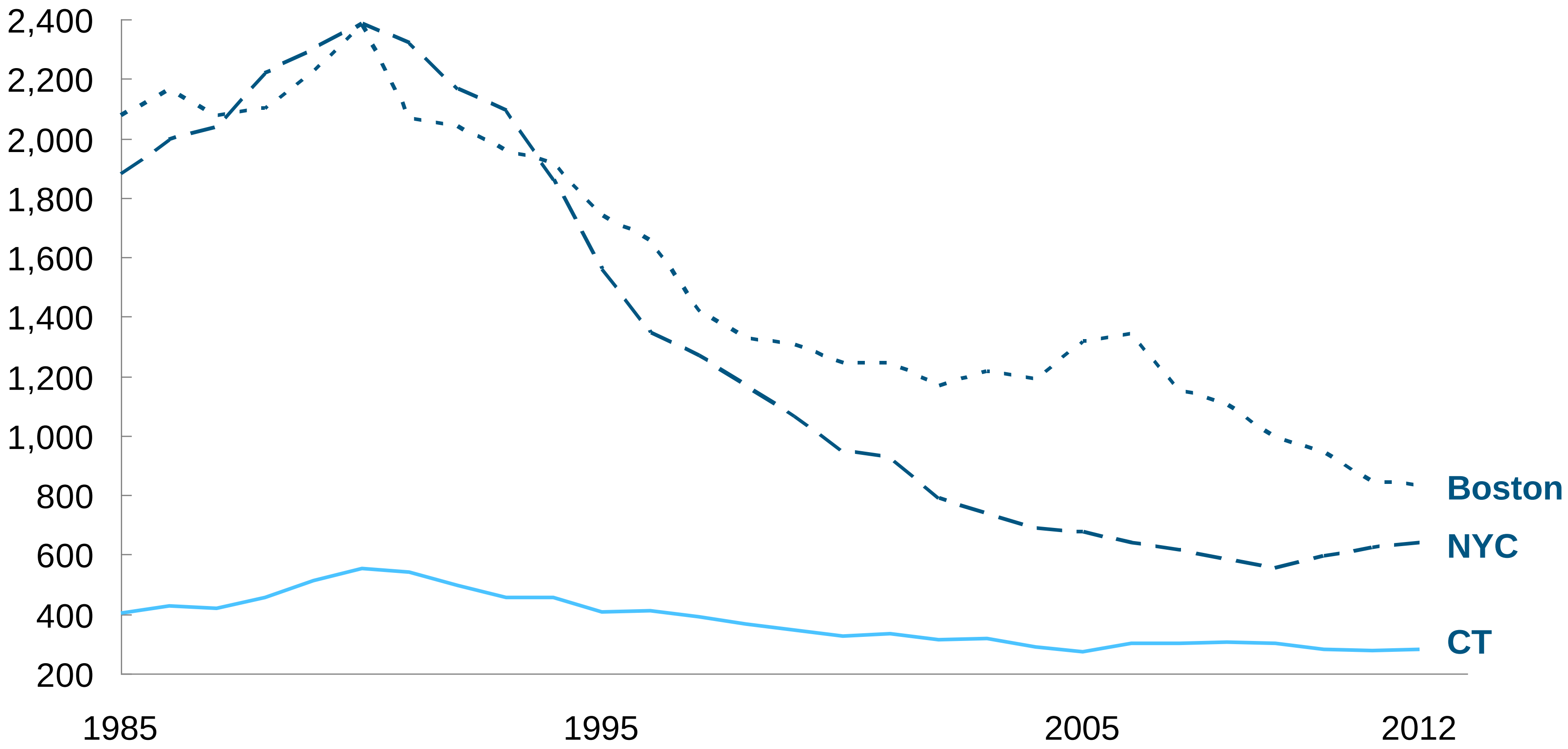
Violent crime rate, 1985-2012

Number of violent crimes per 100k residents



Connecticut's tax rates are higher than U.S. averages and, in some cases, peers

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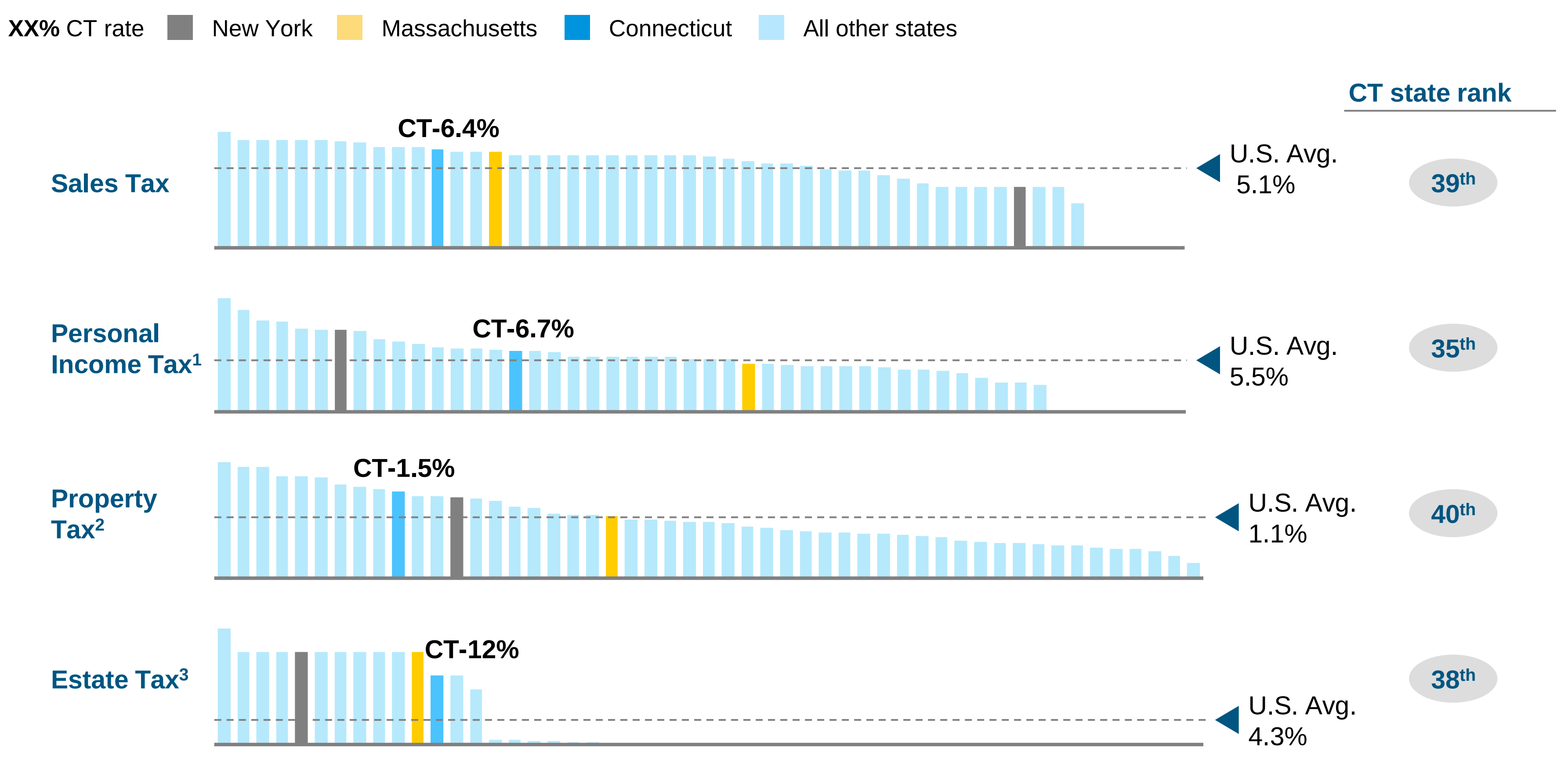
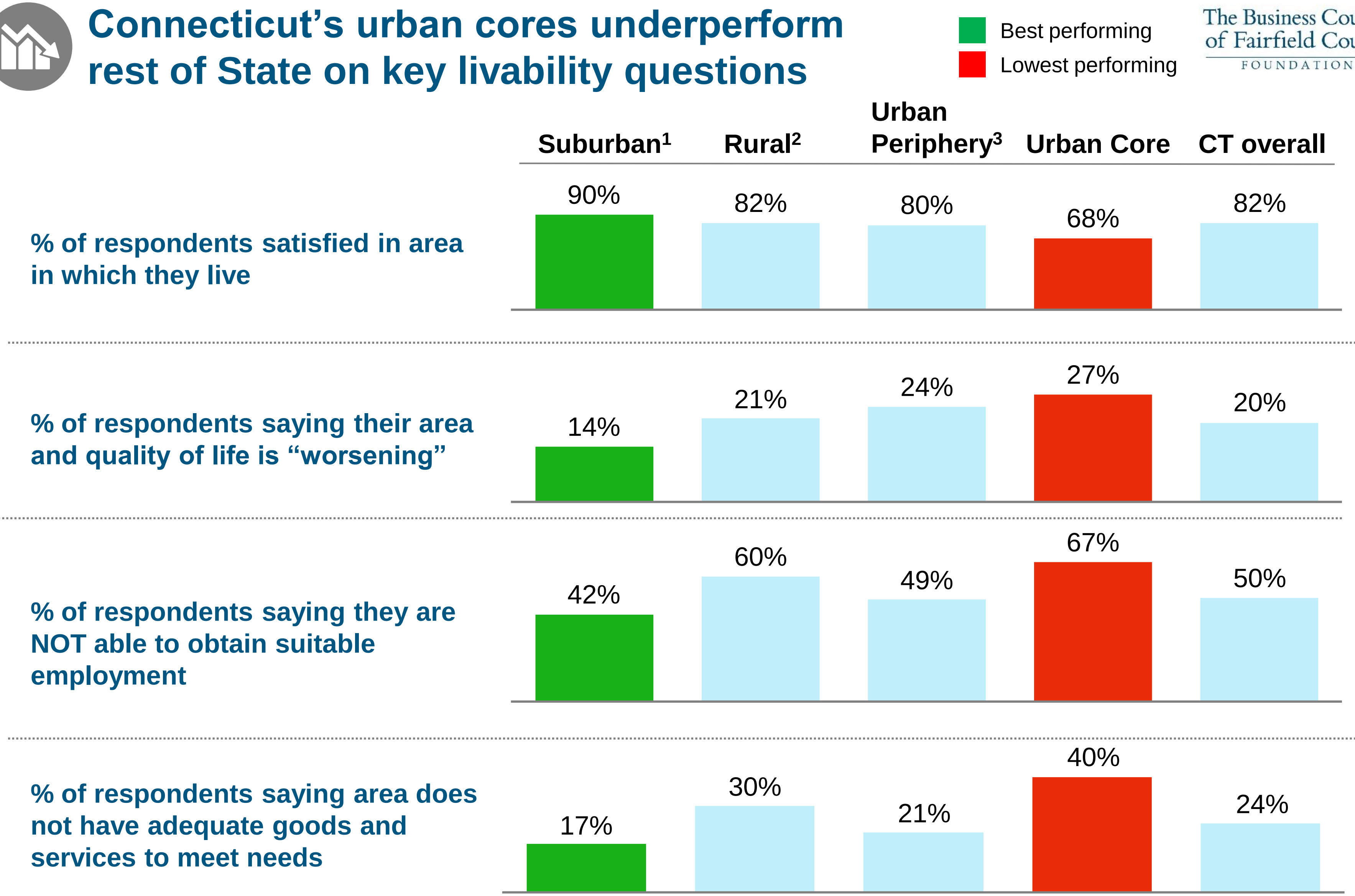
Statutory tax rates by state, 2015



1 Represents the highest marginal personal income tax rate
2 Mean Property Taxes on Owner-Occupied Housing as Percentage of Mean Home Value as of Calendar Year 2011
3 Tax Foundation data

SOURCE: Federation of Tax Administrators (2016); U.S. Census; Tax Foundation

Connecticut's urban cores underperform rest of State on key livability questions



NOTE: Survey based on 16,219 responses—28% suburban, 13% rural residents, 38% urban periphery, 17% urban core residents, 5% "wealthy"
1 Includes locations such as North Haven and Granby located near larger urban centers 2 Includes locations such as Putnam and Sharon located farther from an urban core 3 Includes locations such as Norwalk and East Haven located around urban cores

SOURCE: CT Data Haven, Apr-Oct 2015

Quality of life measures vary widely across Connecticut's cities

Top quartile
Middle 50%
Bottom quartile

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Livability metrics by city, 2014

	CT overall	Bridgeport	Hartford	New Haven	Norwalk	Stamford	Waterbury
Insurance coverage % of population without health insurance	8.5%	20.3%	15.5%	12.3%	17.0%	17.3%	12.6%
School ranking Nationally of 13,506 school districts[1]	-	10,196	7,499	6,002	2,717	1,318	9,021
Crime rates Violent crime per 100k residents	263	905	1,104	1,054	296	240	373
Cost of living Median gross rent as a percentage of household income	31.9%	37.4%	36.2%	36.4%	30.3%	32.5%	35.2%
Homelessness Percent of total population	0.13%	0.30%	0.57%	ND	0.28%	0.31%	1.57%
Unemployment[2] Percent	7.9%	14.6%	19.4%	11.2%	8.5%	9.3%	ND

NOTE: Quartiles are determined using cities >50,000 residents 1 School ranking calculated through surveys, health, safety, student culture, diversity and state test scores 2 Unemployment based on ACS 2014 one year survey estimate for purposes of comparison with city-level data

SOURCE: Social Science Research Council; FBI U.S. Crime Database, US Department of Housing and Urban Development; ACS 2014, US Department of Education

Many of Connecticut's auto commuters face significant congestion challenges

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Connecticut freeway commute times by urban area, 2014

Percent additional time required during peak travel compared to free flow periods

Urban area	Avg. rush hour[1]	Buffer to arrive on time[2]	Total	Freeway congestion rank[3] (out of 101 urban areas)
Bridgeport-Stamford	44%	188%	232%	5
New York-New Jersey	39%	176%	215%	11
Hartford	23%	107%	130%	38
New Haven	19%	86%	105%	58
Worcester MA	15%	56%	71%	86
Springfield MA	14%	51%	65%	90

Example:

- In New Haven, rush hour commute takes an average 19% longer (e.g., 36 vs 30 minutes)
- To be sure to arrive on time, you must depart 105% earlier during peak vs. non peak periods (e.g., 62 vs. 30 minutes)

Annual auto delays by urban area, 2014

Urban area	Annual hours of delay per auto commuter	Rank (of 101 urban areas)	Medium-size urban area rank
Bridgeport-Stamford	49	19	2
New York-New Jersey	74	4	
Hartford CT	45	29	5
New Haven	40	49	11
Boston, MA	64	6	
Providence, RI	43	35	

1 Based on the commuter stress index: the ratio of peak period (in peak direction) versus free flow travel time
2 Based on the planning time index: the ratio of peak period versus free flow time including buffer to ensure 95% on-time arrival
3 Top 101 US urban areas ranked by planning time index, from longest to shortest additional travel time

SOURCE: Texas A&M Urban Mobility Scorecard

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Connecticut's population growth has been negligible, driven by high domestic out-migration

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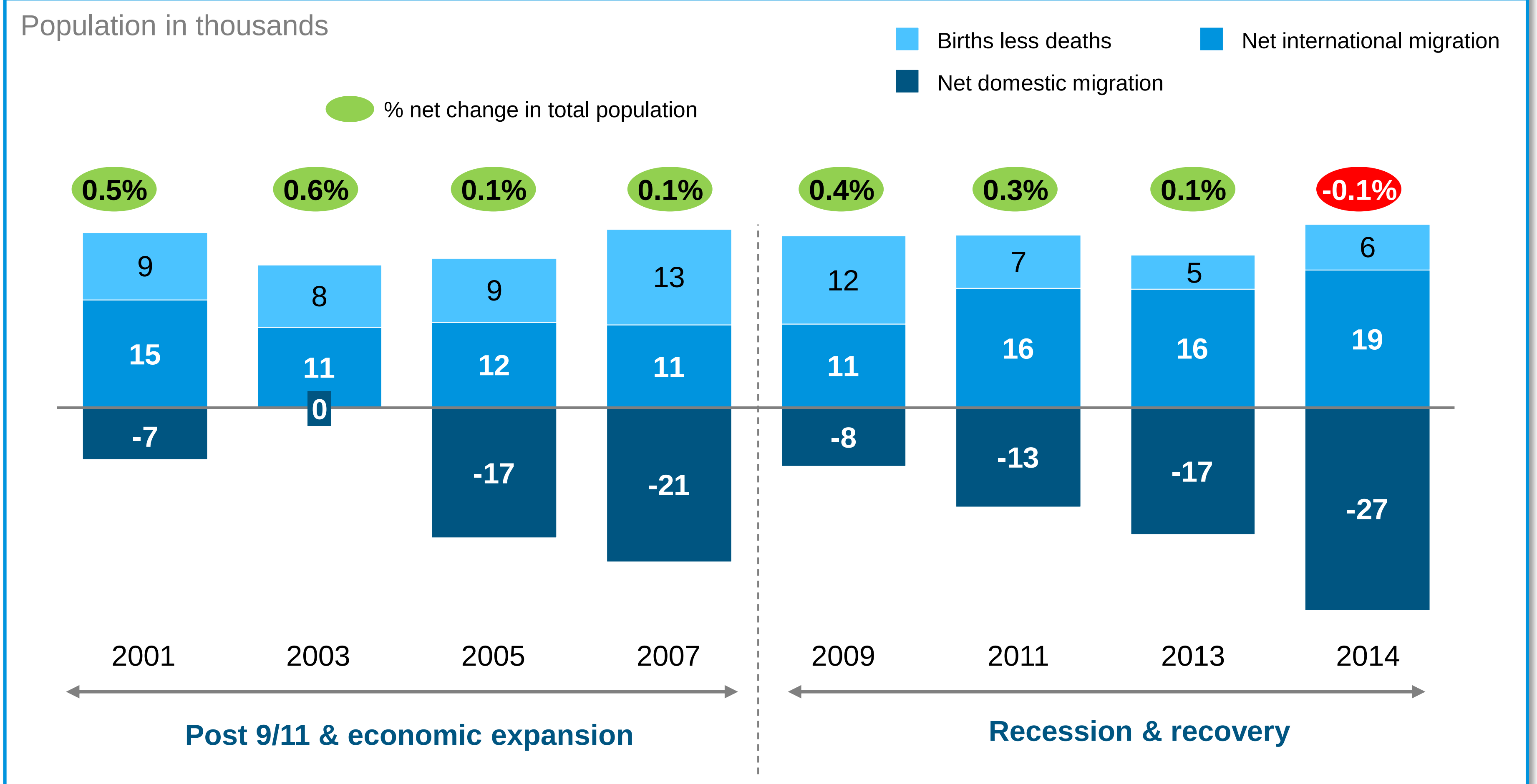
Connecticut population change, 2001-2014



NOTE: Population data is unavailable for 2010

SOURCE: U.S. Census Bureau Population Estimate Program; Internal Revenue Service 2013; U.S. Census American Community Survey

Three of the top six MSAs losing the greatest percentage of their population to other states are in Connecticut

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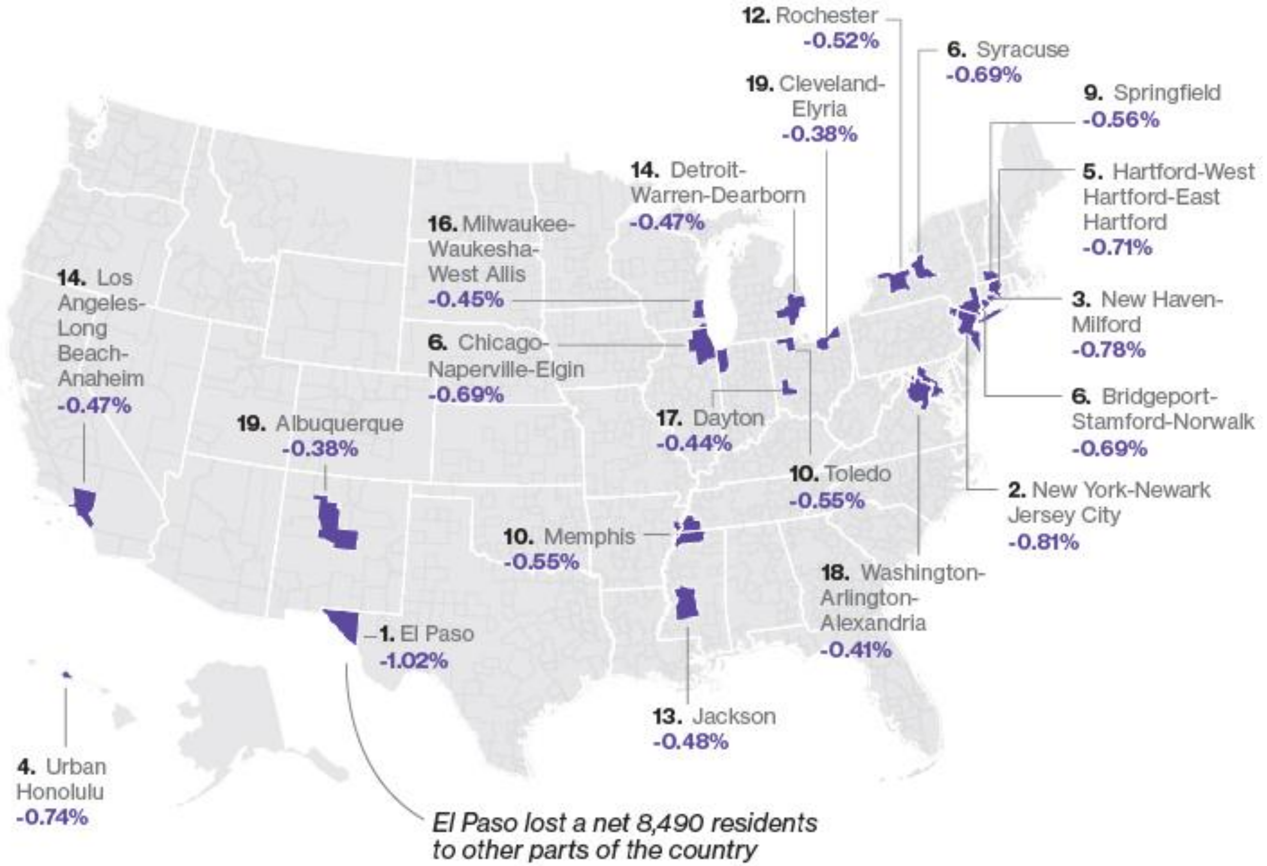
The cities Americans are leaving, 2013-2014

Percent of resident out-migration, top 20 out of 100 cities



Note: This data only looks at out-migration. Many of these cities also attract significant volumes of inward-migration

Connecticut is losing young and educated people to other states

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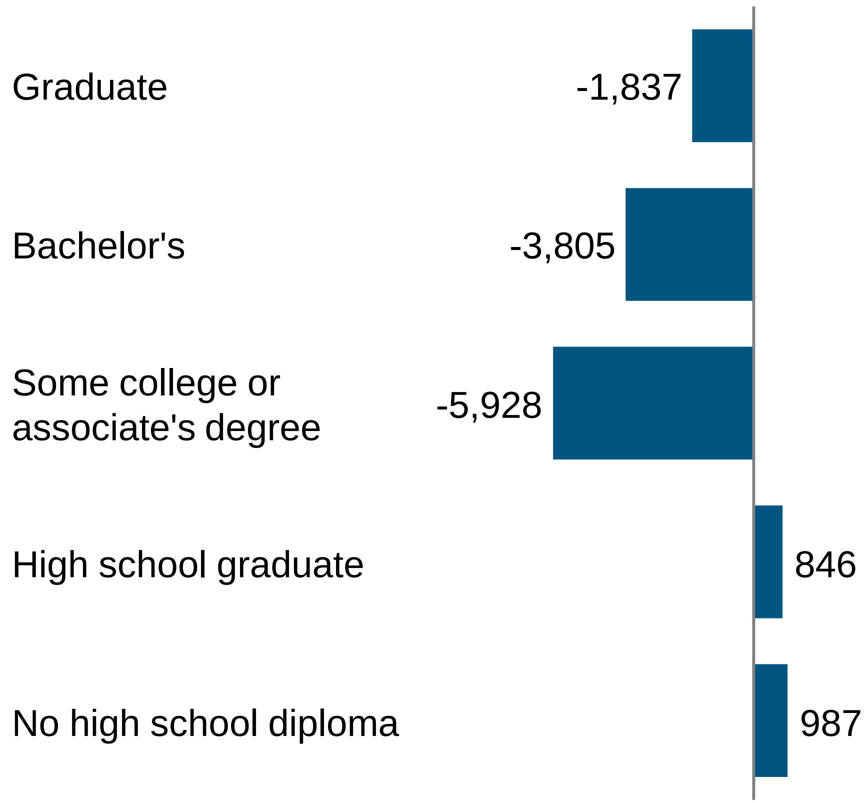
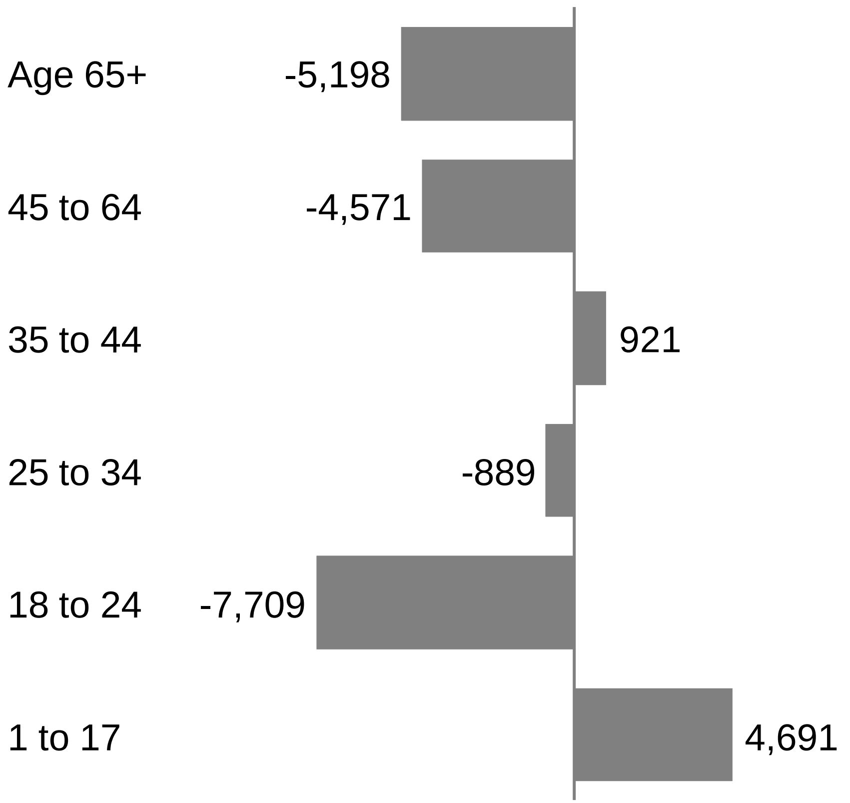
Net domestic migration by education, 2014

Population 25 years and older



Net domestic migration by age, 2014

Population 1 year and older



SOURCE: U.S. Census 2014 American Community Survey

While Connecticut has a lower poverty rate than the US, it has been growing at a higher rate

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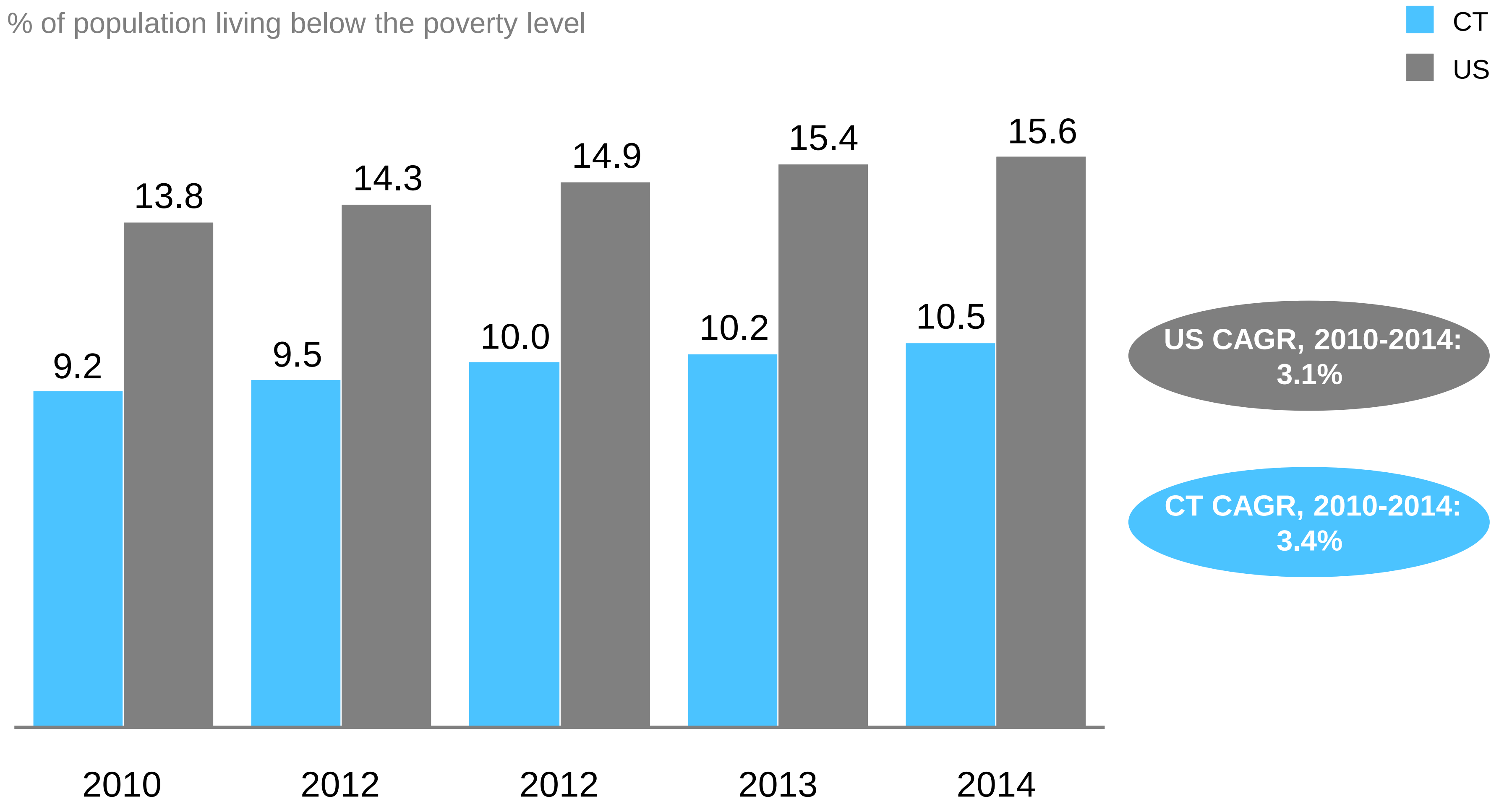
Poverty rate, 2010-2014



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Four factors are feeding the perception of a "negative business climate" in Connecticut

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Factors affecting the State and national discussion on Connecticut's business climate

1. Fiscal fundamentals
2. Negative national publicity
3. Unpredictable governance
4. Perceived lack of engagement

THE WALL STREET JOURNAL.

"[Businesses] say increasing pension costs borne by the state government ***could trigger tax increases that could scare off companies*** *in the state or those looking to relocate"* - 1/2016

Hartford Courant

"Immelt said the company's 'taxes have been raised five times since 2011, while support for our strategies has been uneven.'" - 6/2015

Forbes	45th	Connecticut's ranking nation-wide in cost of doing business (2015)
Moody's	47th	

To address these trends and ensure long-term competitiveness, Connecticut can build on its distinctive assets

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Talented population

- **38% of those 25+ have at least a bachelor's degree** vs. 30% nationwide
- **3rd highest productivity** in the country

Strong education system

- **6th best K-12 education system** based on test scores and funding levels, and #1 in some national rankings
- **7th highest AP participation rate** in county, and 2nd highest percentage of students scoring 3 or higher
- 50+% of enrolled college students attend a **public institution**

Blue-chip companies and growth sectors

- 7th in the country in number of **S&P 500 headquarters**
- **3.3% of all Fortune 1000 companies** by revenue are in Connecticut vs. 2.0% in Massachusetts and 2.9% in New Jersey
- Growing **sub-sectors of strength**, e.g., aerospace added 1,400 jobs in 2015

SOURCE: US Census; BLS; Education Week; Smart Asset; IPEDS; S&P Capital IQ; Fortune Magazine

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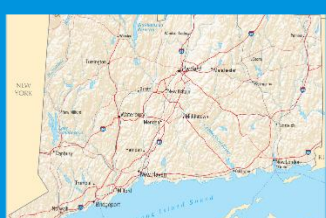
Strong research output

- 8th in the U.S. on **R&D** as a share of GDP
- **Academic research** surged 38% from '09 to '13, moving CT from 32nd to 12th in the U.S. on academic R&D spend

High quality of life

- #3 in **quality of life** of any US state (Forbes)
- 3rd highest **life expectancy** in the US at 81 years
- 2nd lowest among peers in **violent crime rates**, 9th nation-wide

Strategic location



- 40% lower **cost per sq. ft. of housing** in Stamford vs. NYC
- 7th busiest **Interstate system** in the US by number of cars
- ~40+M Metro-North New Haven Line and ~11.5M Amtrak **train ridership** each year

SOURCE: National Science Foundation; Social Science Research Council; Forbes; FBI; Zillow; Federal Highway Adminstration

Potential themes for the Commission to consider exploring

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Growth sectors: *How can Connecticut support its high potential, fast-changing sectors?*

- Skills & workforce development
- Enabling infrastructure (e.g., broadband)
- Modernized and aligned tax code and regulatory/incentive regime

Transportation: *What investments will best connect talent and businesses?*

- Performance and expansion aligned with growth priorities
- Funding certainty
- Access to jobs

Cities: *How should CT revitalize its urban cores?*

- Urban appeal and attraction of young talent
- Economic opportunities for all
- Entrepreneurship

Public-private engagement: *How can the State and the private sector collaborate to jointly support long-term growth?*

- Reignited dialogue, trust, and commitment
- Sector- and opportunity-specific partnerships
- Co-ownership of initiatives

Fiscal confidence: *How can Connecticut address its pension and budget challenges to restore business confidence?*

- Pension sustainability
- Budget stability

The Connecticut Economic Competitiveness diagnostic: Key takeaways

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Thank you

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