

# Commission on Fiscal Stability and Economic Growth

## Report 2.0

November 28, 2018

# The Original Charge

Develop and recommend policies to achieve state government fiscal stability and promote economic growth and competitiveness.

Make recommendations regarding state tax revenues, tax structures, spending, debt, and general government operations. (P.A. 17-2)

- Achieve consistently balanced and timely budgets and...
- Improve the attractiveness of the state for existing and future businesses and residents

# Our Goals Have Not Changed

- Achieve fiscal stability through sustainable balanced budgets, manageable debt and unfunded liabilities
- Economic growth of 3+%
- Raise our competitiveness ranking above median (3-5 yrs)
- Maintain critical services to vulnerable populations
- Achieve a sustainable high quality of life for all Connecticut residents

# Report 2.0 vs Original Recommendations

- Fewer and more focused recommendations
- Six primary initiatives vs. the original 35
- All centered on the same goals
  - ✓ Fiscal stability
  - ✓ Economic growth and
  - ✓ Job creation

# Connecticut's Burning Platform

- Connecticut's fiscal condition is not sound
- Our tax system and infrastructure are not competitive
- Our economy remains weak
- Statistics illustrate the challenges

# The Harsh Reality

- Fixed costs will consume more than half the state budget by FY 2020
- Debt and unfunded liabilities have grown to over \$100 billion
- Connecticut's economy is shrinking. Gross State Product has declined by 9.1% since 2008
- Connecticut has lost its competitive edge and ranks near the bottom in business attractiveness surveys

# A Balanced Budget Is Not Enough

Achieving a balanced budget for the upcoming two-year cycle is only a small step along the path to addressing the structural challenges facing our state.

The new administration and legislature must fundamentally change Connecticut government's approach to budgeting and economic growth.

# Recommendations 2.0

- Reduce the state deficit by at least \$1 billion dollars on a sustainable basis
- Pause the growth in state employee wages and benefits, increase employee contributions to pension plans, and face up to unfunded retiree liabilities
- Realign our tax system on a revenue neutral basis to make it more supportive of economic growth



# Recommendations 2.0

- Jump-start transportation improvements to stimulate economic growth by reducing congestion and improving safety
- Fund a new program of 4,000 STEM scholarships per year
- Focus state municipal aid on cities and towns that need it most – coupled with requirements for expense management

# Conclusion

- The 2019 legislative session is a make or break policy opportunity for Connecticut
- The fate of the state is in the hands of all of us to help our new governor and legislature make the hard decisions
- Report 2.0 offers a clear road map for corrective action to achieve fiscal stability and economic growth