

Appendices

to

Prosperity for All: **A Blueprint for Connecticut's Future**

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Appendix A

CBIA's 2008 Legislative Agenda for a Skilled Workforce

(from the CBIA website)

Connecticut's employers are extremely concerned about the lack of skilled workers to fill new positions and replace retiring employees. Our students need to be challenged and engaged learners who, with the proper support, can attain high academic standards and productive careers.

Education and Job Training

- **Raise** high school academic standards and graduation requirements to ensure that all students are prepared for postsecondary education and employment. Give teachers and students the support and resources they need to achieve success.
- **Commission** an analysis of the research-based elements of successful high school redesign and develop a realistic timeline for implementation.
- **Continue** to focus on STEM (science, technology, engineering and math) subjects to prepare Connecticut students for high-skill, high-wage jobs in the global economy.
- **Support** and expand the number of charter and magnet schools, smaller learning communities, and career academies that improve students' academic performance, motivate them to stay in school and graduate prepared for postsecondary education and employment.
- **Expand** Connecticut's Vanguard Schools Initiative and provide resources to train administrators and educators in schools in need of improvement on strategies to implement the best practices of Vanguard Schools.
- **Ensure** the availability of skilled manufacturing workers by:
 - Continuing the state's investment in upgrading technical high school and community college facilities and providing resources for equipment and supplies.
 - Expanding the capacity of technical high schools and community colleges to recruit and train more students in manufacturing technology programs by adding faculty as needed to meet industry demand.
 - Marketing the advantages of manufacturing careers through a statewide manufacturing awareness campaign.
 - Providing scholarships to students to encourage them to pursue careers in manufacturing.
 - Responding to industry requirements for NIMS (National Institute of Metalworking Skills)-certified employees by increasing the number of NIMS-certified programs in the technical high schools and community colleges.
- **Increase** employability skills and access to higher-paying jobs through employer-driven training that meets industry requirements and targets actual jobs.

- **Expand** apprenticeship and customized job training programs for new and incumbent workers.

Housing

- **Expand** the supply of housing affordable for workers so that businesses can keep and attract quality employees.
- **Encourage** the departments of Economic and Community Development and Transportation to coordinate and develop housing, transportation and economic policies that maximize growth.
- **Reduce** regulatory barriers, modernize zoning requirements and create incentives for increasing the supply of housing that is affordable for workers in Connecticut.

Appendix B

Working Paper: Workforce Development

A world class workforce development program for Connecticut would incorporate actions that focus on a solid early education base, support and infrastructure for lifelong learning, coordination of public and private sector policies and programs that provide individuals with many choices, options, opportunity, and transition protection for a sustainable livelihood.

Over the next 20 years, the U.S. and specifically Connecticut, must address major trends that are driving significant changes in the world of work: an aging workforce, a shrinking workforce, a more diverse workforce, globalization of the workforce, a need for highly trained and flexible workers who can compete globally and adapt quickly, and increasing numbers of low-income working families struggling to climb the economic ladder. Of particular importance are the growing earnings gap between more educated workers and those with a high school diploma or less, and the growing number of jobs that do not pay family-sustaining wages or provide health benefits.

PROACTIVE INNOVATIVE APPROACHES:

- Solid, supported, resourced PreK – 16+ public education system

- Investment in high quality early childhood education to provide a solid base for all future learning

- Elementary education that meets children's needs

- More career option exposure for youths

- Secondary education that helps identify and develop skills and aptitude

- Better opportunities for youth to develop their natural skills

- Increased options for vocational education, apprenticeships and early tech and community college

- Work and career linkages, integration and alignment of programs at all levels

- Greater access to post secondary and lifelong learning programs

- Skills development - upgrading – retraining skills

- Literacy/language improvements

- Cultural competence

- Embracing a diverse workforce

- Job transition safety net

- Adequate job transition wage protection

Job transition medical coverage
Incentives and opportunity for learning while in transition

- Integration of public/private training learning programs and systems

- Investments in economic development should be linked to workforce development and job opportunities in particular for low-wage workers to enable them to escape poverty
 - Incentives for “good citizen” approach by private and public sector for training and skill development.
 - Support for workforce housing incentives and development programs
 - Support for expansion of mass transit in smart areas
 - Tie in to comprehensive efforts for smart growth and planning

- Better workforce system analysis, improving jobs/needs data collection and evaluation
 - Make better decisions regarding incentives and resource allocation for defined priority areas.

Appendix C

(Adapted from the website of the Connecticut Technology Council.)

Connecticut is not alone in seeking to promote innovation.

Every State in the country is pursuing sustainable economic growth policies, and many countries offer lower cost labor and other operational efficiencies compared to Connecticut.

It will require grassroots leadership, coordination, and political determination for Connecticut to become a place where innovation truly thrives.

The Council's public policy goal is to create a bold strategic plan and constituency of leaders that will build a vibrant culture of innovation in Connecticut. This long term vision will become reality through grassroots leadership and collective action.

The Connecticut Growth Network is the beginning of an initiative to create a bold strategic growth plan. Our community will fashion a progressive policy agenda to position Connecticut at the forefront of international research, discovery, and commercialization of new ideas.

The Connecticut Technology Council proposed the following economic development ideas in 2008:

10 – Increase foreign marketing and trade show presence – return to being an involved international player and catch up with southeast and larger states.

9 – Improve Mass Transit –development starts with great transportation, links to NYC and on to rest of the world. Consider commuter rail line expansion and trolleys.

8 – Reorganize the state departments and establish one plan – get people at the same table – DECD, CI, CDA, OWC, Labor, Transportation, UConn, CSUS, CC. Establish the same strategy and systems approach. One plan with many partners and one set of deliverables.

7 – Encourage Affordable Housing & Urban Development –make Connecticut more attractive to 25 to 35 year-olds and young families by developing the mill towns of the route 8 corridor, they need to be tied-in to expanding Hudson Valley and be seen as real alternatives to New York.

6 – Promote STEM Education – comprehensive high school reform, regional magnet schools that compete with the best private schools and more strategic attraction of families to cities. Offer scholarships through UConn and CSUS for STEM high performers

5 – Offer attractive incentives to entrepreneurs –tax credits that attract early stage investments are crucial. Structured well, this state-wide commitment to

entrepreneurs will grab global attention added to modifications of the R&D Credits, we should target mobilizing capital for innovation.

4 – Push for Tech Transfer out of Universities – as well as more research money going in. Stem cell money is a good start, but other states are investing \$100ms.

3 – Support large businesses – we need a platform of major employers, branch out from financial services, high tech manufacturing and R&D should be on the map. Support for key industries such as clean energy and advanced digital imaging would get noticed.

2 – Work Regionally – Don't get bogged down in "townism" – work at the state level and seek to assign organizations roles that we should playing and then hold us to deliverables.

1 – BE BOLD – Come to us with a bold plan and ask for support for a multi billion initiative including annual Technology-Based Economic Development (TBED) funding and capital improvements.

Appendix D

Working Paper: Education

In order to be effective in a globally competitive environment, America requires an educated workforce that is highly trained, competent, capable of learning new skills and able to adapt to challenging work environments.

- First, there is an economic development argument to be made in support of early childhood education. Our capabilities as adults depend on both nature and nurture – genetics and the environment – operating together to shape the developing brain and the resulting capacities that emerge.

Children who are behind in their development at age three, enter kindergarten behind their peers at age five, can't read at grade-level at age eight or nine, and the gap widens year after year until they drop out before completing high school. Youth who do not achieve mastery in high school lack the skills and capabilities necessary for today's workforce or for admission to post-secondary education.

Economists have shown there is a high rate of economic return, in both the short and long term, as a result of making this early investment. Recent RAND analyses project a return on investment for *universal* early education for all children of about 200%. (*The Cost and Benefit of Universal Preschool in California*, RAND 2005.)

- Second, it is imperative that all children – building on the foundation of early education – learn to read. Yet in Connecticut, there is no requirement that elementary school teachers have the skills to teach reading. We need to take advantage of the latest research on how students learn to read, communicate it to teachers-in-training and to teachers-in-service, so that all students benefit by acquiring this basic skill.
- Graduates with a college degree will have, on average, double the lifetime income of a high-school graduate. So in order to ensure that all students in Connecticut can take advantage of post-secondary education, curricula in elementary and secondary schools should be aligned with college curricula, so there is a seamless transition between the educational levels. In particular, students should be prepared to meet minimum college entrance requirements.

Just as in the United States generally, about half of Connecticut's college students must take at least one remedial course in English or math in order to meet minimum standards of academic work in college. This lamentable situation is not just the product of secondary school failure: too many students arrive in 9th grade behind in reading and math skills, and few from this category ever catch up. And there is some argument that part of the problem can be traced to kids arriving in kindergarten without

certain basic skills. It is also important to recognize that this is a problem across all income levels.

At every level of transition, a case can be made that the “receiving” institutions must make clearer and more explicit to the “sending” institutions just exactly what skills and knowledge are a prerequisite to success at the higher level.

One potential avenue is to establish vertically aligned science and math courses – pre-algebra in middle school, followed by algebra in the freshman year, then geometry, trigonometry, and pre-calculus – using sequenced curricular materials over the several years. Similarly, skills expected to be developed in early childhood education and/or kindergarten should be aligned with the elementary school curriculum.

Curricular alignment should be supplemented by communications that motivate student achievement, by reminding parents and students that “education pays”: a college diploma dramatically increases lifetime income, while there is an economic penalty associated with dropping out of school.

- Fourth, we in Connecticut need to develop the human capital that ultimately produces innovation. There must be a major increase in Connecticut’s talent pool: students who can be successful in science and technology. In turn, this requires a major increase in the number of college teacher education graduates who can, in their future service at the elementary and secondary level, challenge students to excel in these fields.

A blue-ribbon committee of the National Academy of Sciences, *Rising Above the Gathering Storm: Energizing and Employing America for a Brighter Economic Future*, provided recommendations in 2005 for

1. increasing America’s talent pool by vastly improving K-12 mathematics and science education,
2. developing, recruiting and retaining the best and brightest minds,

In 1957, the launch of Sputnik made it clear that the United States was in a scientific competition with the Soviet Union that we were in danger of losing. The country responded with a massive, successful effort in education to improve our competitive position. Again, in this decade, the achievements of other countries have made it clear that all the states – including Connecticut – need to invest in education for the global “knowledge economy,” especially in the so-called STEM (Science, Technology, Engineering and Mathematics) fields.

It is not sufficient to increase funding for research. It is critically important to improve science and math education at the elementary and secondary level, where math and science teachers are more likely than not to have majored in other subjects. To progress, we must recruit, educate, and

retain excellent K-12 teachers who fundamentally understand biology, chemistry, physics and mathematics. Few factors are more important than this if the United States is to compete successfully in the 21st century. (*Gathering Storm*, p. 5-3)

Although Connecticut has provided some funding incentives for research in STEM fields, there has been precious little focus on greatly expanding the educational pipeline to produce the human capital which will engage in that advanced research.

In this area, it is NOT sufficient to fund just a few “model” or “pilot” programs that will develop practices and curriculum that will “demonstrate” a prototype or example of how educational quality may be improved. We need to make an immediate commitment of funding to address the full magnitude of the problem.

- In the increasingly competitive global economy, the benefits produced by higher education are today as much “public goods” as were the benefits then generated by an elementary school education in the 19th Century, and by secondary schools in the 20th Century. Unfortunately, there are some who seem to believe that the knowledge and skills acquired in higher education are only “private goods,” providing advantages only to individuals. Accordingly, they believe that the price (tuition and fees) charged to students and their families should completely pay for the entire cost of providing that education.

Adoption of the “private benefit” theory of higher education finance would deprive the state and the nation of the knowledge and skill base that is the foundation of future economic competitiveness. It is no longer possible for the state to provide a tuition-free higher education to students in public colleges and universities – as it did as recently as the 1960s. But it should at least maintain at current services levels, and in the long run increase, state funding of public higher education, to avoid shifting to students an ever-greater burden of paying for this public good.

Need-based aid funds for students at all institutions of higher education should be preserved, and eventually increased.

Moreover, the state should explore – in conjunction with a national student loan initiative – the possibility of guaranteeing low-income student loans equal to 100% of undergraduate and graduate tuition to public institutions of higher education in Connecticut (and at comparable levels at independent institutions in the state). The loans would be forgiven over a period of years if graduates participate for a commensurate number of years in a defined public service initiative within the borders of the state.

Currently, tuition is waived in public higher education institutions for senior citizens, if space is available in a course at the end of a registration period. Why not extend tuition waivers to unemployed persons, on a time-limited

basis when unemployment exceeds a pre-determined level (say 6%)? If such waivers are reimbursed by the state, the economic rate of return on such an investment is likely to far better than it is for senior citizens.

Appendix E

Working Paper: Health Care for All

Accessible and affordable health care for all helps provide economic security that sets the stage for economic competitiveness and growth. Having a structure in place that provides affordable health care for all protects both individuals and businesses against downside risks that threaten their savings and their bottom line, and accordingly encourages entrepreneurial economic choices that lead to economic growth.

If health care costs fall entirely on an individual or a family, a catastrophic illness can lead to bankruptcy, and at minimum exacts a fiscal penalty that severely constrains the options a family can take to get ahead economically. If excessive health care costs fall inequitably on a company (as when it takes on the health care costs of older workers or retirees), it incurs a competitive disadvantage vis-à-vis competitors that have younger workers or that choose to provide no health coverage or that operate chiefly in countries where the government is responsible for health care. Connecticut should be part of a national initiative to reduce health care costs and level the playing field to foster economic competitiveness.

Health care coverage for all is also about economic competitiveness in another sense. Good health care translates into more energetic, productive workers, with more creative energy. Good health care coverage for all is an investment, not a cost, because it contributes to a healthier workforce. Children cannot learn if they are hungry or sick. The same is true of workers, at whatever level.

Finally, adequate health care for all provides a benefit to the individual: wellness. A commitment to far better preventive care promotes wellness. And better preventive care reduces the cost of health care, and permits investment in innovation, in drug therapies, in biomedical research, in stem cell research, in nutritional research, and in information technologies to track patient information – all of which support a feedback loop that produces dramatic payoffs in improved health outcomes.

In order to enhance the quality of life, and to improve economic competitiveness, we must, in conjunction with evolving national policy:

- Cover every state resident by meaningful insurance that adequately meets health needs (in ways that do not adversely affect the competitive economic position of companies that do business in the state)
- Focus on cost-effective service models such as prevention of acute and chronic disease and management of chronic illness to address cost drivers
- Build on successful efforts in both the public and private sectors to reduce health care costs (e.g., Pitney Bowes, state employees) for both employers and residents

- Develop an independent health data analysis center, in the Department of Public Health or other appropriate location, to continue tracking health care related information
- Support a common electronic system for keeping health care records and making patient information available quickly and seamlessly and confidentially to doctors and hospitals and other caregivers
- Expand eligibility for HUSKY to insure more children and their families, provide outreach/enrollment assistance to enroll more eligible persons, and ensure that enrollees have timely access to needed health care

Appendix F

Working Paper: Economic Security

Economic security can increase economic growth, by enabling people to take risks that promote growth and prosperity for all.

Having a structure in place that provides economic security for all protects both individuals and businesses against downside risks that threaten their savings and their bottom line, and accordingly encourages entrepreneurial economic choices that lead to economic growth. As Roger Altman of the Brookings Institution has argued,

A basic level of security frees people to take the risks – for example, starting a business, investing in their own education, or trying an unconventional career – that lead to economic growth. With inadequate protection against downside risk, people tend to be overcautious, “fearing to venture out into the rapids where real achievement is possible,” as Robert Shiller of Yale has argued. “Brilliant careers go untried because of the fear of economic setback.” (“An Economic Strategy to Advance Opportunity, Prosperity and Growth,” Brookings Institution, April 2006, p. 13)

If people can gain security in their personal finances (such as savings), for example, they are more likely to be able to seize opportunities. And having tried, if they fail, with some degree of economic security they are better able to bounce back.

Connecticut scores high on a number of measures of prosperity and financial security (according to the 2007-2008 “Opportunity and Assets Scorecard” compiled by the Corporation for Enterprise Development (CFED):

- 5th highest household net worth among the states,
- 4th highest college attainment,
- 7th in bankruptcy rates.

However, the state’s apparent wealth masks inequality.

- Connecticut is 28th in household asset equality by race (with the net worth of white households more than 26 times the net worth of minority households)
- The state ranks 26th in household asset equality by gender (with the net worth of households headed by men nearly twice that of households headed by women)
- College completion among the richest 20% of state residents is more than five times that of the poorest 20% of residents (23rd in degrees by income).

- Additionally, homeownership, the principal component of household net worth, is 1.7 times higher for white households than minority households and 2.4 times higher for wealthy households than low-income households, placing the state 43rd in homeownership by income.

Policy Opportunities: Connecticut should adopt policies that build the assets of lower-income families, especially people of color and women. Such policies include increasing homeownership, especially in poorer cities; educating and providing incentives for savings; and reforming the tax system to help increase income and assets for lower-income workers. Specific policy objectives in the short term could include:

- Maximizing families' receipt of the federal Earned Income Tax Credit (EITC) and exposing more families to asset-building opportunities (including opening bank accounts, credit repair, homeownership, Individual Development Accounts [IDAs], and financial education) by appropriating funds for an EITC marketing campaign and support for IRS-trained VITA (Volunteer Income Tax Assistance) sites. All 90 VITA sites in the state would receive limited funding to cover costs. Sites that help connect clients to asset and benefits programs would receive additional funding. Through a competitive process, several year-round "financial resource centers" would be funded at a higher level, based on a pilot supported by the State Treasurer's Office. Similar programs have been highly effective in Florida and other states.
- Creating a refundable state Earned Income Tax Credit, similar to those in 23 other states and D.C., based on a percentage of the federal EITC. A 10 percent EITC would cost \$30 million annually and provide an average of \$160 to about 170,000 Connecticut households, 10 percent of all tax filers.
- Providing a stable source of funding for the state IDA program, which combines financial education with matched funding to save for a home, business start up, and other asset-enhancing purposes.
- Expanding the Care4Kids program, which provides child-care subsidies for working parents
- Maximizing job opportunities by upgrading education for low-income children and youth, through two years of postsecondary education

Appendix G

Working Paper: Housing

Connecticut is not like the rest of the country. Where many states have overbuilt, leading to oversupply of housing, sharply declining prices and shrunken values and grand lists, Connecticut is, frankly, suffering from the opposite problem. We have much too little supply. A failure to correct that – that is, to create housing that workers, families, young professionals, elderly empty-nesters and disabled residents can afford – will severely damage our state’s economy even further.

The good news is that housing development and preservation, at this moment, can not only provide the homes we need but can also offer immediate economic stimulus. The state’s home builders and affordable housing developers are ready to go – to build the housing we need.

Towns all across the state also are prepared to allow for new or rehabilitated housing development. Twenty-six are already using state grants under the HOMEConnecticut program to study smart growth areas where they can create new housing; more than 40 towns and cities will be targeting sites for housing development in the next year.

The evidence that there is a market to be served – that there is too little affordable supply – is overwhelming:

- A statewide rental vacancy rate of less than 5%.
- A median sales price that still stands at \$276,000, well beyond the reach of most workers. Connecticut’s decline in housing prices has been 8.3% in the first three quarters of 2008 as contrasted with double digit declines in many states.
- Family homelessness that rose 13% between 2007 and 2008 and is expected to increase with foreclosure activity, the economic recession and tight rental market.
- U.S. Census figures show a fourth of Connecticut households are “burdened” by housing costs; they earn less than 80% of median income and spend more than 30% of that income on housing.
- An oversubscribed federal Low Income Housing Tax Credit Program (LIHTC) – the workhorse of affordable rental housing production –is faltering due to lack of investors and pricing. CHFA approved six projects this year for 367 units of rental housing (\$6.7 million in 9% LIHTC financing) after receiving 3 times as many applications for \$16.3 million that would have produced 1,244 units.
- Supportive housing creation has also lagged for lack of funds. The very successful state interagency initiative that has helped reduce chronic homelessness can produce only a third of the homes developers are ready to produce – because of a lack of funding.
- Preservation of the existing affordable housing stock in Connecticut is also an urgent need; this includes federal public housing, state public housing and privately owned affordable housing. With an

infusion of new capital we can meet the most critical life, health and safety needs, preserve the long term affordability of this housing, and improve neighborhoods by investing in housing.

Providing funds to meet that demand will rapidly get money into the hands of builders, developers, construction trades, building material suppliers, home furnishers and many others as the ripple effect and multipliers take hold.

A series of actions must be taken on the state and federal levels that would ensure that Connecticut's wide-ranging and severe housing needs are met in a way that stimulates our economy. Specifically, lawmakers must:

- Work to ensure that federal infrastructure aid promised by President-elect Obama can be used for housing creation and rehabilitation.
- Address the problems of lack of investors in the Low Income Housing Tax Credit Program. With Fannie Mae and Freddie Mac no longer purchasing tax credits, housing developments ready to move forward are left with no investors and sagging prices if they cannot sell the credits.
- (With our Congressional delegation) Target a funding source for the National Housing Trust Fund. This vital new source of revenue for production of affordable housing should be available by 2010 to produce both affordable and supportive housing in Connecticut and throughout our country.
- Fund the incentives in the HOMEConnecticut program to help municipalities cover the costs of workforce housing creation that they are prepared to undertake.
- Fund the development of affordable, supportive rental housing that provides homes for families with children, the elderly, persons with disabilities, veterans and young adults starting in the workforce
- Fund preservation and restoration efforts of existing affordable housing in the state, including public housing, moderate income housing, and reinvestment in privately owned rental and single family homes.
- Seek to create more multifamily housing to meet a supply shortage that is likely to worsen in coming years when mortgages become less widely available.
- Create homeownership opportunities in cities, including the purchase and rehabilitation of homes in foreclosure, reclaiming abandoned property or mothballed property, and building on open parcels.

Appendix H

Working Paper: A Connecticut Strategic Transportation Plan

A state strategic transportation plan should address both revenues and expenditures.

As of now, the Special Transportation Fund, because of a shortfall in revenues, will go into a “current year” negative position within two years. As of now, there is a \$5 to \$7 billion gap between projected revenue and needed expenditures just for rehabilitation and rebuilding of existing transportation infrastructure. Just the cost of maintaining the existing rail system is projected to be \$2 billion. The federal government cannot be looked to as the savior: the federal Highway Trust Fund has gone negative. But a federal infrastructure development plan, if one is passed, should be leveraged to support Connecticut’s transportation priorities.

According to one analyst at the Lincoln Institute of Land Policy, “The guiding principle should be transit and inter-city rail that improves the quality of life and economic competitiveness of cities, saves energy, and reduces greenhouse gas emissions.”

So what do we do?

1. Reform the governmental structure:
 - a. Create a Connecticut Transit Authority, modeled on the New Jersey Transit Authority, with responsibility for all rail and bus transportation in the state. (Connecticut Transit, a corporation owned by the state, could be the base, without a need to reinvent the wheel.)
 - b. Consolidate the Metropolitan Planning Organizations in the state. (The Bay Area in California, larger than the state of Connecticut, has one MPO, responsible for planning and allocation of resources.)
 - c. Do not split the DOT into two agencies with conflicting mandates. Maintain the consolidated agency, to use funding for both roads and commuter transit.

2. Develop and implement a statewide strategic plan for a balanced transportation system, coordinated with the statewide plan for economic development and other statewide plans, which should include:
 - a. Improve rail service levels (frequency of service, speed between stations, reliability, and customer comfort) with intra-state scheduling comparable to NYC access
 - b. Build 10,000 new commuter parking spaces, over 5 years
 - c. Increase capacity of I-95 during rush hour through “Intelligent Technology,” incident management, and the use of break down lanes, where safe and feasible
 - d. Upgrade quality and expand bus service to reduce congestion between destinations not served efficiently by rail

3. Set priorities for spending.
 - a. Preserve and renew existing infrastructure. Critical highway bridges are approaching the end of their 40-year useful lives.
 - b. Re-vitalize existing rights of way for adequate commuter transit – e.g., rebuild the New Haven – Hartford – Springfield line, with a spur to Bradley Airport.
 - c. No new highway construction. Specifically, do not build Route 11 at a cost of \$1 billion. (If that is expended, the Moses Wheeler Bridge cannot be rebuilt. Moreover, there is existing freeway access from Hartford to New London / Groton, by way of Route 2 and I-395 through Norwich. Compare to the Danbury – Norwalk, Route 7, corridor.)

4. Provide adequate funding for transportation infrastructure, a critical element of economic development.
 - a. Dedicated Fund, with dedicated revenues.
 1. Re-instate gas tax to previous levels. (The gas tax is a user charge that fairly distributes the burden fairly across all users of road services, and fairly charges larger and heavier vehicles with low gas mileage a higher fee.)
 2. Alternative: vehicle mileage tax.
 3. Allocate 100% of the petroleum gross receipts tax to the Special Transportation Fund
 - b. Add electronic tolling (EZ Pass) to heavily traveled routes, with congestion mitigation pricing.
 - c. Any new construction (e.g., expansion of I – 95 east of New Haven to Rhode Island, including Route 11 and a Route 11 interchange) should come with a revenue stream. E.g., empower an authority or a private company to use electronic tolling as a source of revenue to finance the construction.

5. Subsidize commuter transit operating expenses.

6. Find a way (perhaps using national infrastructure renewal funds) to support a Lower Hudson rail freight link with the rest of the country. A convenient link with the rest of the national freight rail system would help take long-haul trucks off the highways, to reduce highway congestion: one train carries freight equivalent to the capacity of 200 to 500 trucks, while using a fraction of the energy.

Appendix I

Working Paper: Quality Places: Robust Communities

Connecticut must be strategic about how it uses its limited resources. It must have clear priorities, abide by them, and transparently report its progress in meeting them. Generally, it needs to balance its investments in jobs, transit and housing: that means better support to transit, transit-oriented development, and brownfield reclamation and reuse. It also means restructuring the tax system to eliminate perverse incentives for decisions that negatively impact the state's economic competitiveness.

Of particular concern is the fiscal and social health of major Connecticut cities, which currently are hardly the robust communities they aspire to be. The overall population decline in four of the five major cities since 1990 (Stamford is the single exception) is indicative of serious problems: young people with skills and career goals are leaving these cities – and the state – to find the urban environment and life style they desire. Hartford, Waterbury, Bridgeport and New Haven are ranked 6th, 39th, 61st, and 75th, respectively, among U.S. cities with the highest child poverty rates. And they – and other cities in the state that serve as the “central cities” in their regions – have high property tax rates: the result of high costs to meet the needs of their low-income populations, and an eroding tax base. We fail in our goal of achieving prosperity for all when we condemn a large part of our urban population to poverty and inferior living conditions. Moreover, we can't keep up with the rest of the country, let alone make significant improvements to our state economy, without developing the next generation of producers and innovators – many of whom must come from the ranks of the children currently living in our major cities. Enhancing the quality of life in Connecticut goes hand in hand with educating, attracting, and retaining emerging professionals and skilled workers, and functioning cities over 50,000, and especially over 100,000, are needed to meet their housing and life-style needs.

Recommended Legislative and Administrative Actions:

- Codify a definition of “responsible growth” and its principles in statute, to guide all state investments and regulations. (The principles now are merely the policy for some executive agencies' programs; we have no way of knowing which ones. They do not apply to the legislature at all: there is, for example, no “responsible growth” legislative impact statement required for proposed legislation.)
- Codify benchmarks to measure progress, and codify a schedule of public reporting on the benchmarks.
- Create a public/private state long-term planning structure (recommended by Legislative Program Review and Investigations in 2008).
- Redirect all petroleum gross receipts tax income to the Special Transportation Fund.
- Create a *prioritized* list of transportation projects, and require an accounting for the impact of all transportation projects on climate change and jobs/housing balance.

- Allocate funds for brownfields clean-up.
- Create a Shovel-ready Sites Pilot for brownfields, funded by bonding.
- Fund OPM – or build on the recent national grant to CRCOG – to create model smart growth zoning codes that towns can adopt.
- Create a pool of funds to recalibrate zoning codes to encourage mixed-use/high density development in areas with transit first, sewer infrastructure second.

- Create an incentive fund for towns that adopt regional revenue sharing on new industrial, commercial and high-end housing development.
- Decrease reliance on the property tax, which often provides perverse incentives for decisions that negatively impact the quality of life and the state’s economic competitiveness.
- “Level the playing field” of revenue disparity between cities and towns in their regions by fully funding state payments in lieu of taxes for non-taxable property, which is disproportionately located in cities

- Continue to emphasize – and fund – educational progress in the major cities to address the needs of low-income children
- Phase-in state assumption of fiscal and administrative responsibilities for special education

Recommended Administrative Action:

- Convene the Responsible Growth Steering Council, or otherwise increase the quality of inter-agency and cross-governmental cooperation.
- Convene State Bond Commission meetings monthly, and allocate funds that have been authorized for mass transit, transit-oriented development, brownfield clean-up and priority land preservation projects.
- Introduce greater transparency and accountability measures.
- Integrate Greenhouse Gas emission reduction measures in the land use recommendation of the 2010 Conservation and Development Policies Plan.
- Abide by the Conservation and Development Policies Plan in administrative decision-making.

Appendix J

The Governor's Task Force on Responsible Growth

The Governor's Task Force on Responsible Growth has developed a set of eight principles to prioritize decision-making as Connecticut pursues its long-term future. We believe they are appropriate for the vision we propose, and should be embodied in statute to guide state planning and public policy.

• Focus on Redevelopment

- Redevelop First -- Encourage reuse and rehabilitation of existing infrastructure rather than the construction of new infrastructure in undeveloped areas.
- Revitalize Connecticut's central cities to take advantage of existing infrastructure and their locations as centers of economic and cultural importance.
- Give preference to redevelopment of brownfields, preservation, and reuse of historic structures and rehabilitation of existing housing and schools.

• Be Fair

- Encourage interlocal cooperation.
- Promote equitable sharing of the benefits and burdens of development and diminish the competition for revenue that biases land use decisions.
- Provide technical and strategic support for inclusive community planning to ensure social, economic, and environmental justice.
- Make regulatory and permitting processes for development clear, transparent, cost-effective, and oriented to encourage responsible growth and regional equity.

• Expand Housing Opportunities

- Support the rehabilitation and construction of housing to meet the needs of all people regardless of abilities, income levels, and household types.
- Coordinate the provision of housing with the location of jobs, transit, and services.

- Promote a range of attainable housing choices that provides housing for people who work in the area and that leads to diverse communities.

- **Concentrate Development**

- Support development that is compact, conserves land, integrates uses, and fosters a sense of place.
- Revitalize and protect existing village centers.
- Create walkable districts in or adjacent to existing centers, making full use of existing buildings and infrastructure, and mixing commercial, civic, cultural, educational and recreational activities with open space and housing for diverse communities.

- **Provide Transportation Choice**

- Concentrate development around transportation nodes and along major transportation corridors.
- Increase access to transportation alternatives, in all communities, including public transit (with flexible schedules), bicycling, and walking.
- Invest strategically in transportation infrastructure that decreases annual highway lane miles traveled while increasing transit passenger miles traveled, and increases rail freight while decreasing road freight.

- **Conserve Natural Resources**

- Reduce waste of water, energy, greenhouse gases, and materials, and increase our supply of renewable energy.
- Expand land conservation efforts in appropriate areas.
- Protect water resources.
- Protect and restore biodiversity, environmentally sensitive lands, natural resources, food security, wildlife habitats, and cultural and historic landscapes.
- Increase the quantity, quality, and accessibility of open space.
- Lead by example and support conservation strategies, clean power, and innovative industries.

- Construct and promote buildings and infrastructure that use land, energy, water, and materials efficiently.

- **Plan Regionally**

- Support the development and implementation of local and regional plans that have broad public support and are consistent with statewide plans and with these principles.
- Encourage development projects, land and water conservation, transportation and housing that have a regional or multi-community benefit.
- Consider the long-term costs and benefits to the commonweal of the state.

- **Increase Job Opportunities in Appropriate Locations**

- Attract new and support the growth of existing businesses with meaningful, well-paying jobs in appropriate locations, preferably near housing, infrastructure, water, and transportation options.
- Expand access to educational and entrepreneurial opportunities.
- Strengthen sustainable production of goods and services.
- Support economic development in industry clusters consistent with statewide, regional, and local plans.

Appendix K

Working Paper: A Proposal for a New Connecticut Tax Structure

Principles of a High-Quality State Revenue System:

1. A high-quality revenue system comprises elements that are complementary, including the finances of both state and local governments.
2. A high-quality revenue system produces revenue in a reliable manner. Reliability involves stability, certainty and sufficiency.
3. A high-quality revenue system relies on a balanced variety of revenue sources.
4. A high-quality revenue system treats taxpayers equitably. Minimum requirements of an equitable system are that it imposes similar tax burdens on taxpayers in similar circumstances, that it minimizes regressivity, and that it minimizes taxes on low-income taxpayers.
5. A high-quality revenue system facilitates taxpayer compliance. It is easy to understand and minimizes compliance costs.
6. A high-quality revenue system provides fair, efficient and effective administration. It is as simple as possible to administer, raises revenue efficiently, is administered professionally, and is applied uniformly.
7. A high-quality revenue system is responsive to interstate and international economic competition.
8. A high-quality revenue system minimizes its involvement in spending decisions and makes any such involvement explicit.
9. A high-quality revenue system is accountable to taxpayers.
10. A high-quality revenue system taxes those items that are least useful to societal health and well-being, such as pollution, excess packaging, etc.

Situation:

Connecticut's tax system is out of balance. The state is in the top tier of those with the highest and most regressive over-reliance on property taxes. In Connecticut, close to 39% of all state revenue comes from property taxes. By comparison, the property tax share of most state's revenues is in the 25% to 30% range. For Connecticut to achieve a more normal level, \$2 billion dollars would need to be invested in supporting municipal programs – where most property taxes are spent. That means that the other two workhorse taxes – sales/use and income – would need to be modified to make up the difference, or municipalities would need to be authorized to levy taxes other than the property tax. About 10% of all Connecticut revenue comes from a variety of other taxes including corporate taxes. To create a high quality revenue system a fair variety of revenue sources should be explored.

The state rarely reviews its tax structure in any comprehensive way, with the last serious look taking place in 1991, when the income tax was approved. Seventeen years is not an adequate term between looks. Data, tax incidence and analysis is lacking in the state. Better looks and measures of compliance

with the above principles require ready, accurate data. Most states have a well-structured data system in place to help policy holders make good decisions.

Action Steps:

1. Implement revenue data systems.
2. Adopt and implement principles of a high-quality revenue system.
3. Map out an 8-year strategy for balancing the revenue structure by moving to the ultimate goal by 12% year after year, and supporting local funding increases that would reach the equivalent of \$300 million in property tax reductions in year 1.
4. Educate the public on the benefits of a high-quality revenue system.

Appendix L

CERC Policy Briefs

- 1. Prosperous, Vital Urban Centers**
- 2. Transportation and Infrastructure**
- 3. Business and Economic Growth**
- 4. Demographics and Human Capital**
- 5. Housing**

CERC Policy Brief: Prosperous, Vital Urban Centers

The Issues

Perhaps one of the most intractable challenges facing Connecticut and many other states is the condition of many small and mid-sized cities, particularly those with a manufacturing legacy. In the *Connecting to Compete* report CERC quantified the impact of urban growth on state growth and found that in just about every growth arena urban performance was weaker, or even negative, compared to more suburban communities. With the exception of a handful of cities, it was noted that economic conditions in urban centers have weakened or stagnated over the past few decades and it seems unlikely to reverse itself absent major policy shifts. Further, the 2007 Brookings Institution report entitled "Restoring Prosperity" identified Connecticut's three largest cities among those that lag behind in terms of revitalization. The study suggested that urban revitalization in cities such as these could only occur with strong coordination of state and local policies.

National experience has shown that effective urban revitalization solutions are not simply a matter of increasing expenditures. Further, public sector physical redevelopment alone has seldom stimulated revitalization on a large scale. Connecticut has targeted a great deal of public resources to large capital projects as a method of stimulating the recovery of its cities. For the most part, these have failed to jump-start market growth or overall economic recovery. Connecticut's urban markets benefited only marginally from the rapid economic gains of the past few years. In the current market, they are facing losses in real estate, employment and business that outpaces the rest of the state. Our cities never recovered from the previous decline and now they face unprecedented erosion of their economic base. As the resources and tools at the municipal level erode, it is unlikely that the cities alone will be able to counter the current trends of decline that face them.

Effective urban strategies have a few basic principals:

- They take a strategic approach to stimulating growth
- They use public sector investment to stimulate private investment, not replace it.
- They employ comprehensive strategies that link physical, economic and social development.
- They work at multiple levels of geography, coordinating neighborhood, city-wide and regional strategies.

There is a strong role for the public and private leaders to play collaboratively in urban revitalization. It will require, however, strong leadership or champions from both sectors. In addition, this process will be long-term and, of necessity, will have to bridge administrations, the implication being that it requires that this

focus be insulated, to the maximum extent possible, from the vagaries of election and budget cycles.

Due in large part to their industrial legacy, many of these underperforming cities have a higher concentration of brownfields, unmet infrastructure needs, abandoned housing and commercial buildings, and sub-par grand list growth. Another key shortcoming is that there is no entity, be it public agency or an NGO, which 'owns' the urban dilemma. Lacking a coordinating or advisory group of some sort at the state level, Connecticut's urban centers are not the focus of any sustained effort on their behalf.

Fiscal Implications

Since these cities cannot raise enough revenue to meet their own need, they are dependent, to varying degrees upon the largesse of state government, and to a lesser extent, federal government. The primary source of revenue for cities remains the local property tax, supplemented somewhat by local fees. Based on Connecticut's educational cost sharing formula, many urban areas are particularly reliant on state funds to cover local education costs.....given the state fiscal condition, can towns continue to rely on this source? In light of sluggish grand list growth and increasing demand for social services, these cities remain in a permanent fiscal bind that, in turn, puts pressure on state fiscal resources which has its own set of problems.

Competitiveness Implications

Urban centers in Connecticut will continue to experience economic stagnation. Perceptions and realities about public safety will remain a big disincentive for businesses and residents to remain in, or relocate to, these cities. The quality of public education and extremely high dropout rates remain a strong deterrent for revitalizing cities. A nonstop barrage of shootings and stabbings on a weekly basis amounts to millions of dollars of adverse public relations.

Policy Options

- Business as usual
- Regional
- Growth strategies
- Tax sharing
- Economic development districts
- School districts
- Strategic and comprehensive neighborhood and community development
- Paid tuition program as incentive for achievement among urban students
- Early childhood education and intervention
- Human service models focused on prevention as opposed to intervention
- Establish Urban Growth Strategies Board

A working group should be established consisting of representatives from the executive and legislative branch, municipalities, business and other

stakeholders with the charge of restoring these communities to a more competitive position. This group should be structured in such a way as to transcend political administrations. Its work should focus on both short-term issues, such as reducing cost differentials between cities and suburbs through various mechanisms, as well as long-term issues such as fundamental reform in public education.

Budget implications

Business as usual leads to continuing weakness, unproductive workforce, chronic fiscal problems and high demand for public services.....

Any regional initiatives that require new ways of conducting public business will probably meet strong local resistance.

CERC Policy Brief: Transportation & Infrastructure

The Issues

Connecticut faces a \$3.1 billion shortfall through 2017 for needed road, highway and bridge repairs and improvements, which, if not addressed, will leave numerous critical projects to repair and modernize Connecticut's roads and bridges unfunded and unable to proceed. This investment does not include 7 billion in new projects that have been identified.

According to the TRIP report, nearly half – 48 percent – of roads in Connecticut are in poor or mediocre condition, with conditions expected to worsen in the future under current transportation funding projections.

Improving the condition of Connecticut's roads, highways and bridges will be made more challenging by the continued and forecast increase in vehicle travel, particularly by large trucks, which put significant wear and tear on the state's key transportation links. Vehicle travel in the state increased 20 percent from 1990 to 2005.

Commercial trucking in Connecticut is expected to increase 48 percent by 2020, placing even greater stress on the state's already overburdened and deteriorated highways and bridges

Nine percent of Connecticut's bridges were structurally deficient in 2007, and an additional 25 percent were functionally obsolete. A bridge is structurally deficient if there is significant deterioration of the bridge deck, supports or other major components. Functionally obsolete bridges no longer meet current highway design standards, often because of narrow lanes, inadequate clearances or poor alignment

Congestion on I-95 in the New Haven – Greenwich corridor remains at unacceptably high levels and there does not appear to be any reasonable solution forthcoming.

Data suggest that the state may have been under-spending on roads & bridges over the past few years,

Fiscal Implications

Given the condition of financial markets will the state be able to sell enough bonds to cover the costs?

What is the role of the transportation fund?

Should not balance the budget by deferred maintenance

In the absence of an infrastructure stimulus package, Federal transportation funding is projected to shrink considerably over the next decade

Competitive Implications

Increasing traffic congestion reduces quality of life in parts of the state.

Increasing congestion leads to environmental degradation

Increasing congestion increases business costs

Policy Options

Electronic tolls

Congestion pricing

Raise gas tax

Greater emphasis and investment in public transit

Other

The costs of, and impediments to, investing

The timing could not be worse to talk about increased capital investment in our transportation infrastructure

Federal transportation funding is projected to shrink considerably over the next decade

CERC Policy Brief: Business & Economic Growth

The Issues

Job growth and business growth in Connecticut have been sub par for the past couple of decades. The long-term job creation trend is close to zero and, if trends continue, will probably enter negative territory within the next few years. The employment base is shifting from high-wage industries to low-wage industries

According to the federal government CT is the only state in the nation with fewer businesses in 2006 than it had in 1989.

CT is a high cost state with a decidedly unfriendly business climate, excessive regulatory and permitting requirements, high taxes, high energy costs, and high entitlement costs.

Business & economic growth are directly related to population growth and in that category we are among the slowest growing in the country.

The gap between top earners and bottom earners is large and getting larger.
(Gini coefficient)

Total Real personal income is projected to decline by 2020.

Other?

Currently, strong technology and innovation capacity but slow growth will make us less competitive as time goes by

Fiscal Implications

Without sustainable economic and business growth, we will not have stable revenue streams for local and state government. Declining inflation-adjusted income will have pronounced impacts on personal income tax revenues.....a revenue stream that currently accounts for more than 50% of total state revenues. Declining incomes lead to declining spending and sales tax revenues. Declining state revenue coupled with slower grand list growth will increase fiscal pressures on localities.

Competitive Implications

Business investment goes elsewhere

Number of establishments continues to shrink

Fewer private sector job opportunities

Qualified, innovative workers seek employment elsewhere

Policy Options

streamlined permitting

improved local and state regulatory/permitting requirements

entrepreneurial incentives

capital investment incentives

job creation tax credits

Other?

The costs of, and impediments to, investing

Any new money is highly unlikely, existing resources are at risk

CERC Policy Brief: Demographics & Human Capital

The Issues

Connecticut's economic growth and prosperity is dependent on innovation, productivity and highly skilled workers, with human capital deemed by many to be at the root of our region's competitiveness. Long-term demographic trends have had, and will continue to have, a significant impact on the size and quality of Connecticut's future workforce. We are, however, facing some headwinds, including:

- Connecticut has the slowest growth rate of young workers among all states.
- Population growth is projected to be among the slowest among all state
- Minority population among those aged 25-29 is projected to grow by 48 percent
- The fastest growing segment of our population – Hispanics – is significantly under-represented in terms of college readiness, participation, and degree completion.
- Forty percent of new workers will come from inner cities by 2020
- While CT is strong in it K-12 educational attainment, other states are catching up or are outperforming us.
- Educational achievement gap by socioeconomic status will continue to widen
- Young professionals continue to leave state in search of economic opportunity
- High school drop-out rates for Hispanic and African-American students in urban areas are in the 30-50 percent range
- Connecticut's national standing in educational attainment of it adult population is projected to fall substantially.
- Connecticut is not producing enough teachers in critical shortage areas, particularly the STEM-related fields
- Connecticut under-produces college graduates in nursing and other allied health fields, engineering and the natural sciences
- Positive growth of 65-year olds contrasted with negative growth of 22-year olds

Fiscal Implications

Declining productivity leads to four percent reduction in inflation-adjusted income by 2020.

Lower income leads to reduced revenues from personal income tax. Currently, personal income tax accounts for 52 percent of total state revenue and may be as much as 60 percent by 2020. Loss of personal income tax revenue would have dire state fiscal consequences. Reduced income will reduce retail sales which will have a direct impact on sales tax collections. Due to changing skill mix, it is likely that there will be increased demand for public social services. Due to aging population there will be increased demand for services for seniors. Dependency ratio becomes top heavy. Lower income leads to lower standards of living, ability to afford homes, more health issues, higher rates of substance abuse, etc

Competitiveness Implications

Businesses struggle to find entry level workers that have the right skills at a price they can afford.

Manufacturers face a chronic shortage of skilled workers.

Flat to negative business growth as population growth flattens. Competition for expansions and relocations becomes increasingly difficult.

Higher taxes adds further downward pressure on business growth.

Possible Policy Options

There are a few different options that might be considered:

- Increase access to, and participation in, birth to five programs
- Implement more rigorous high school graduation requirements
- Provide adequate levels of student financial aid for needy students
- Increase student support services at our colleges and universities to ensure that students who enter college persist and earn a credential
- Provide employer incentives for adult learners to earn a degree. (About 17% of CT population or some 410,000 have some college, but no degree)
- Offer incentives for good grades
- Student vouchers
- More magnet schools
- STEM academies

- Fast-track bright young people at an early age to ensure maximum opportunity and stimulation
- Complete overhaul of educational system a la *Tough Choices, Tough Times*
- Realign school year away from its agrarian roots, lengthen school year
- Increase resources for incumbent and displaced worker training
- Other?

The costs and impediments of investing

Impediments

- Inertia
- Teacher unions/Management negotiations
- k-12 public education resistance
- resistance from tourism and summer related businesses
- government fragmentation
- local resistance to property tax increases

The cost of not investing

Continued widening education gap

Growing number of economically disenfranchised younger people

Marginal skills for entry level workers,

Increased cost of post-secondary remediation

Potential Benefits

Research has shown that for every dollar invested in early education programs, there is a two to five dollar rate of return:

Ready to learn leads to better performance and lower drop-out rates

Lower drop rates lead to:

- Higher lifetime earnings
- Reduced likelihood of incarceration
- Reduced need for social services
- More taxes paid
- Healthier individuals
- Less substance abuse
- Reduced poverty

CERC Policy Brief: Housing

The Issues

- Connecticut is 46th in the nation in housing units built per capita since 2000 (HBA of CT). Housing supply has not kept up with demand, causing prices to increase. Because of a lack of supply, many housing experts expect prices to increase rapidly once the market turns around.
- The supply we have been building is largely 55+ Active Adult communities and large 4- and 5-bedroom homes. The supply of affordable rentals and starter homes has not grown.
- To avoid production of housing in their communities, municipalities have zoned to allow mainly low-density development, encouraging sprawl, but discouraging developers from producing enough of the housing we need.

Of the 404,000 renting households in Connecticut, 93,000 (or 23%) earn 50% of the median income or less and spend more than 50% of that income on housing

72% of the jobs projected to be created between now and 2014 will pay under \$40,000, much less than what it takes to buy or rent a home

The \$278,000 median sales price, while down almost 6% this year, still requires a household income of about \$80-90,000 to qualify for a mortgage

Fiscal Implications

- Connecticut is 2nd most dependent on property tax to fund municipal government. Need to maintain and grow housing to maintain and grow grand lists.
- Residents unable to afford Connecticut housing prices leave and recruits choose jobs in states with lower housing costs, impacting income tax revenues

Competitive Implications

- Lose potential labor force to state's with lower housing prices
- Lose jobs in construction industry

Policy Options

Fully implement HomeConnecticut proposals

The costs of, and impediments to, investing