

Hartford Business.com

Business Playing Defense As Session Begins This Week

By Greg Bordonaro and Brad Kane

gbordonaro@HartfordBusiness.com bkane@HartfordBusiness.com

01/03/11

Legislative agendas for many of Connecticut's industry groups will be much shorter in 2011, as a \$3.5 billion budget deficit will take most of the attention during the five-month long session that starts this week.

Political wrangling over how to close the deficit will put many industry groups on defense as they look for ways to prevent tax hikes or funding cuts, or fight to protect already existing tax credits.

Meanwhile, health care and energy groups will go on the offensive to shape major reforms in their industries.

Those in manufacturing, technology and construction want to clean up red tape for smoother operations in Connecticut.

All this political maneuvering will come amid economic uncertainty and a new makeup in the political landscape. A Democratic governor will lead the charge for the first time in two decades, along with overwhelming Democratic majorities in the House and Senate.

Gov.-Elect Dan Malloy promises to close the deficit through a mix of cuts and tax hikes, but he hasn't delved into specifics.

With 90,000 jobs lost in Connecticut since 2008, growing and attracting businesses must be a top priority, trade groups say.

"There needs to be more predictability and consistency so that businesses can be more confident in the state," said Bonnie Stewart, a lobbyist for the Connecticut Business & Industry Association. "If businesses don't have confidence they won't invest here."

Stewart said the budget will be the top priority for the CBIA, which is calling for a two-year plan that reduces the size and cost of government and increases accountability while improving service delivery. CBIA also supports cost-cutting measures, including slashing state employee benefits, expanding the use of nonprofits to provide more cost-effective services, and promoting long-term, in-home health care for older residents.

Stewart said the CBIA will not discuss tax increases until it is convinced the budget has been cut as much as possible. But the CBIA is calling for the elimination of the 70 percent cap on corporate income tax credits and the ability for manufacturers to create tax-exempt investment savings accounts so they can reinvest in their Connecticut facilities.

“A lot of candidates ran on a pro-jobs agenda and we are going to hold them to that,” Stewart said.

On the healthcare front, a lot will be at stake as lawmakers weigh sweeping reforms that will be proposed by the Sustinet Board. How to incorporate that plan with the new federal law is unclear.

Sustinet Board members are expected to pitch a plan in January that will call for the gradual rollout of a state-backed insurance option that will be offered through Connecticut’s federally required insurance exchange in 2014 and be available to all individuals and businesses.

The plan will likely include payment reforms like proposals to restructure current fee-for-service models and raise reimbursement levels for health care providers to focus on preventative care.

Stephen Frayne, senior vice president of health policy for the Connecticut Hospital Association, said up to 150,000 more residents could be added to the Medicaid program by 2014 as a result of federal health care reform. But access to care will be a problem because of the state’s shortage of primary care doctors. At the same time, he said, the state is still underpaying doctors and hospitals for Medicaid services, a problem that will be exacerbated by the increased patient load.

Frayne said CHA will be looking for ways to increase funding to the provider community, especially federal dollars available from the new health reform law.

“If there is no change in funding for hospitals, there will be growing upward pressure on the privately insured,” Frayne said.

Meanwhile, Keith Stover, a lobbyist for the state’s health insurers, said the industry will stand “overwhelmingly against” a state-backed insurance option, saying the passage of such a plan would create a negative reaction from an industry that employs more than 25,000 people in the state.

Stover said the health insurance industry has largely been left out of the conversation about statewide health reform efforts.

In the technology sector, the Connecticut Technology Council wants the angel tax credit and the insurance reinvestment portion of the 2010 Jobs Bill reworked so it’s clear who qualifies for the tax credit and transferability of the insurance credits, said

Matthew Nemerson, CTC president and CEO.

Because of the deficit, the Tech Council won't ask for new funding but will propose programs under which private organizations can team with government to supply funding and encourage investment and research and development.

"Any responsible organization right now isn't going to be coming to the state asking for more money," Nemerson said.

The manufacturing sector won't call for more tax credits and exemptions during the session but wants the government to know the importance of certain tax breaks, such as those on sales tax for equipment, said Frank Johnson, president and CEO of the Manufacturing Alliance of Connecticut.

The manufacturers also will lobby for the state to start using mainstream generally accepted accounting principles, or GAAP, when reporting its budget, a step Malloy has said he will take immediately. Manufacturers also will push for the state agencies, most notably the Department of Environmental Protection, to hasten permitting.

"We understand the difficult situation the state is in, and we know it is going to be a difficult and complex process to make the decisions to bring us back to being fiscally sound," Johnson said.

In the construction industry — where unemployment is approaching 25 percent — the top priority is getting public and private work, said Matthew Hallisey, director of government for Connecticut Construction Industries Association. That can be accomplished through moving projects that already have legislative approval to the State Bond Commission; giving more local road funding to towns; keeping up with regular maintenance schedules; developing a robust capital improvement program; and providing funding for clean water projects.

CCIA will lobby to keep the motor vehicle gas tax and the gross receipts tax from being siphoned into the state general fund; allow compromise during arbitration of construction contracts; and give contractors due process if the state deems them nonresponsible bidders, Hallisey said. Like many other business groups, the constructors will oppose mandatory paid sick leave.

On the housing front, the Connecticut Bankers Association will look for ways to expedite foreclosure of vacant and abandoned properties.

CBA lobbyist Thomas Mongellow said the exhaustive process can take more than a year, leaving vacant properties susceptible to blight and deterioration. The situation can become dangerous, Mongellow said, especially in multifamily homes where the borrower has fled but tenants remain.

©2011 New England Business Media

Designed and Maintained by ForeSite