



Connecticut Economic, Legislative Update

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President & CEO | CBIA

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By the Numbers: Connecticut's Economy

12-MONTH

Job Growth

+1.3%

U.S. Rank #48 (tie)

MARCH 2023

COVID Recovery

97%

U.S.: 115%

MARCH 2023

Unemployment

4%

U.S. Rank #40

FEBRUARY 2023

Job Openings

100,000

Monthly Change +9%

MARCH 2023

Labor Participation

64.5%

U.S. Rank #18

2022

Cost of Living

116.8

U.S. Rank #44

2022

GDP

+2.4%

U.S. Rank #17

2022

Personal Income

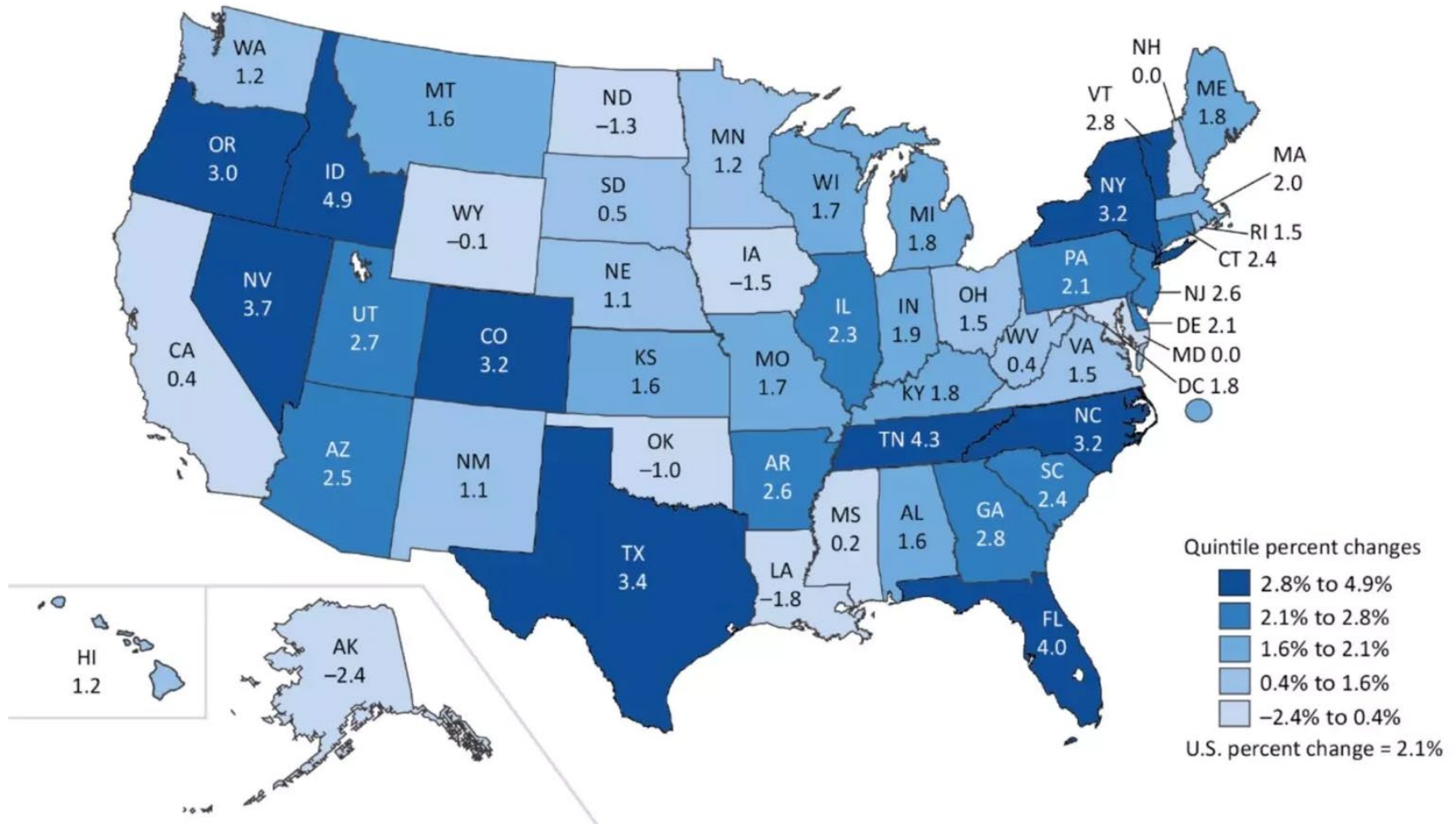
+2.6%

U.S. Rank #27



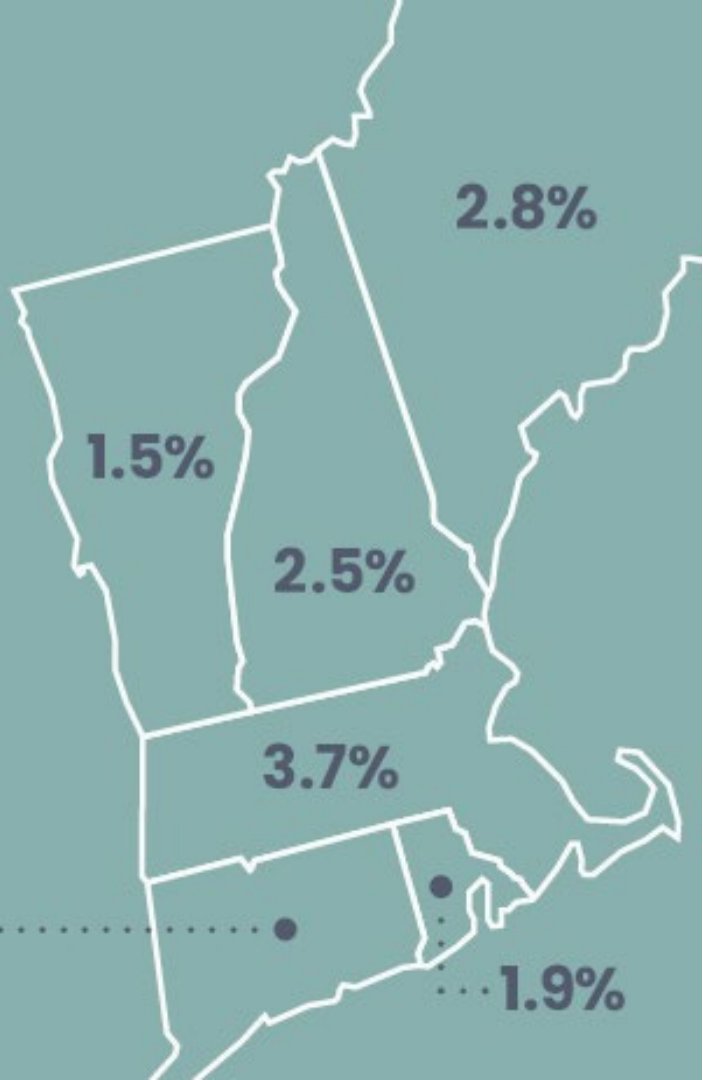
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Real GDP: Percent Change, 2021–2022

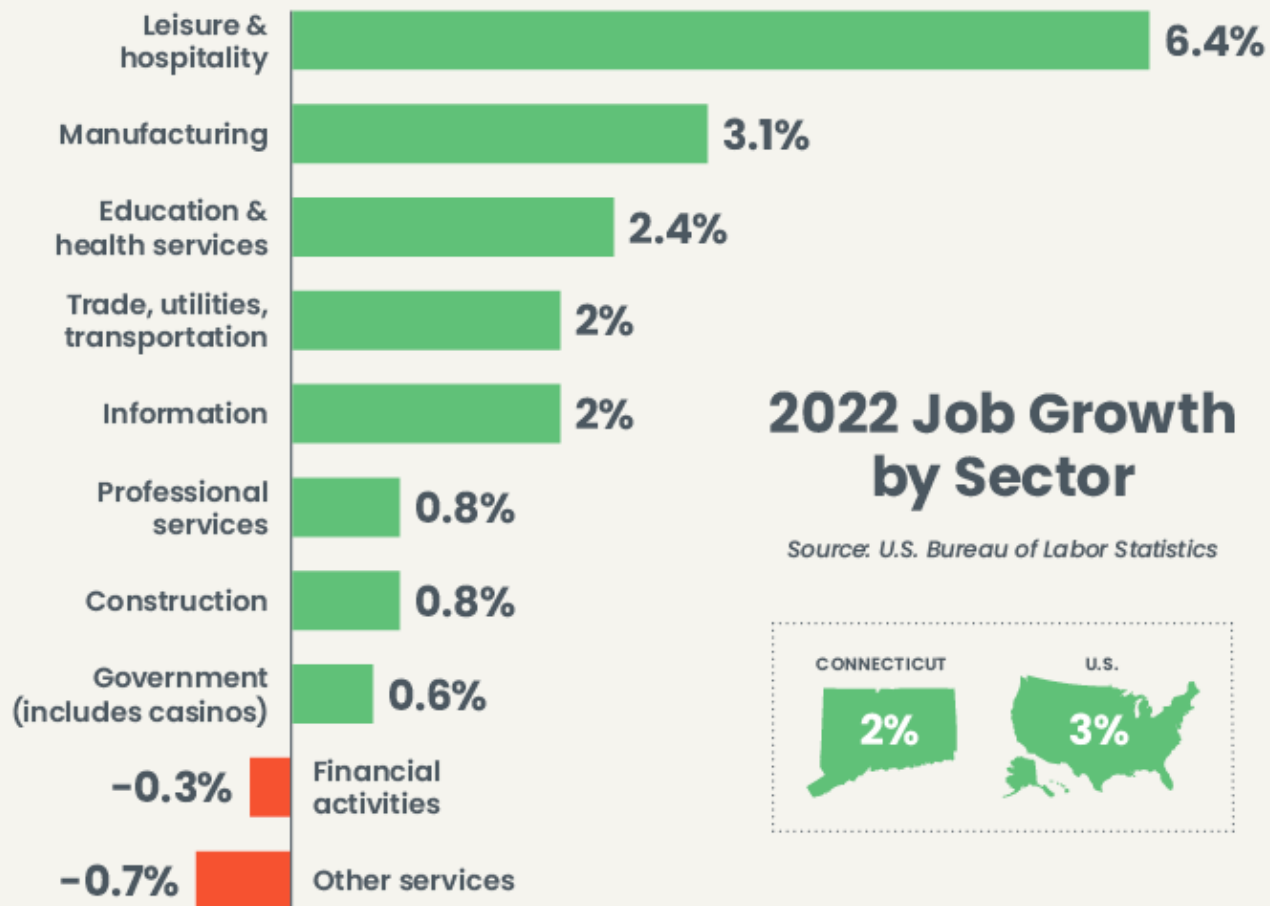


2022 Job Growth

3%
UNITED STATES

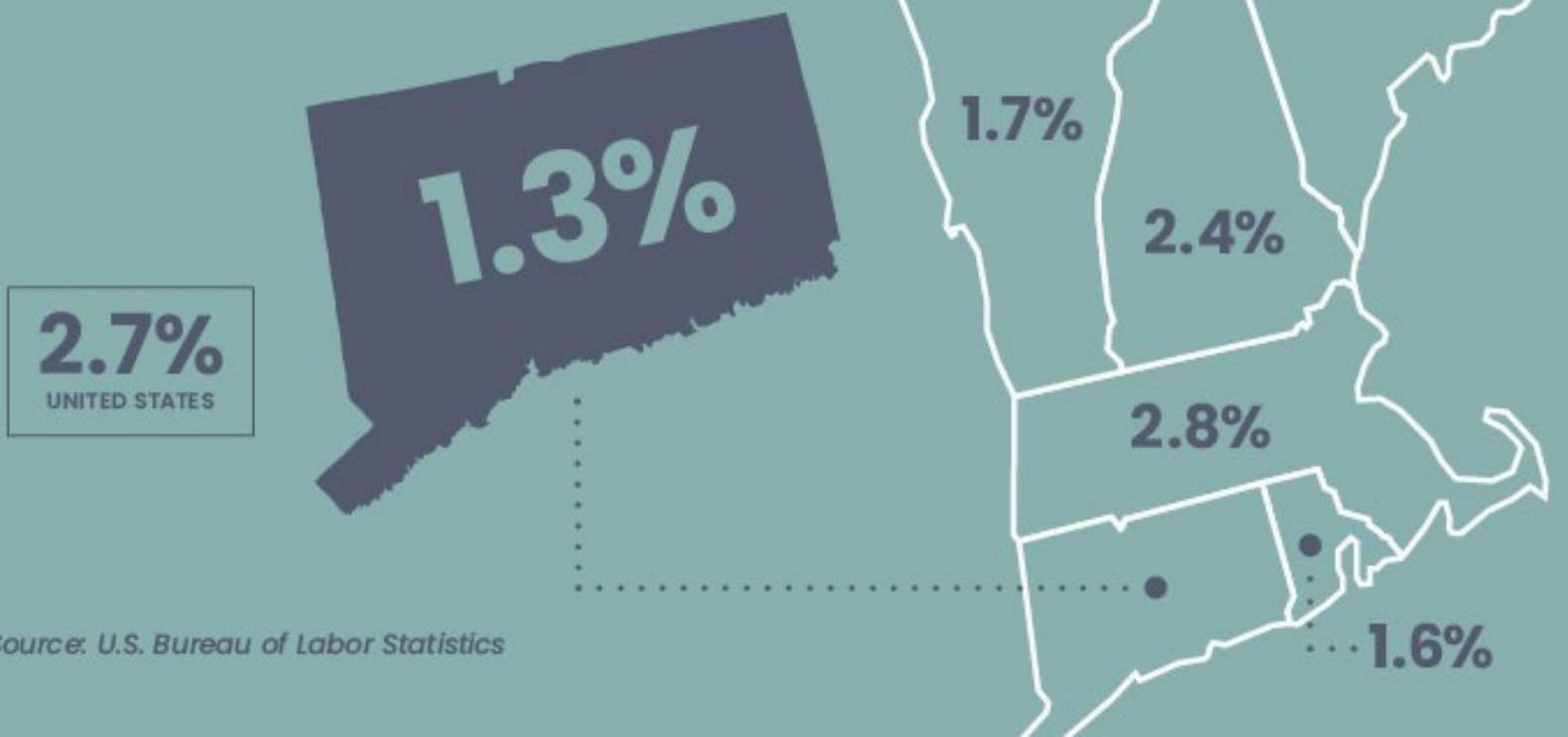


Source: U.S. Bureau of Labor Statistics



12-Month Job Growth

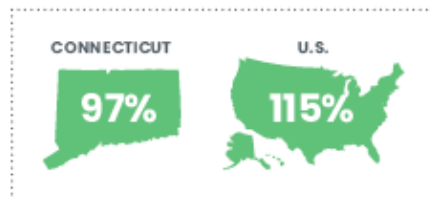
(as of March 2023)



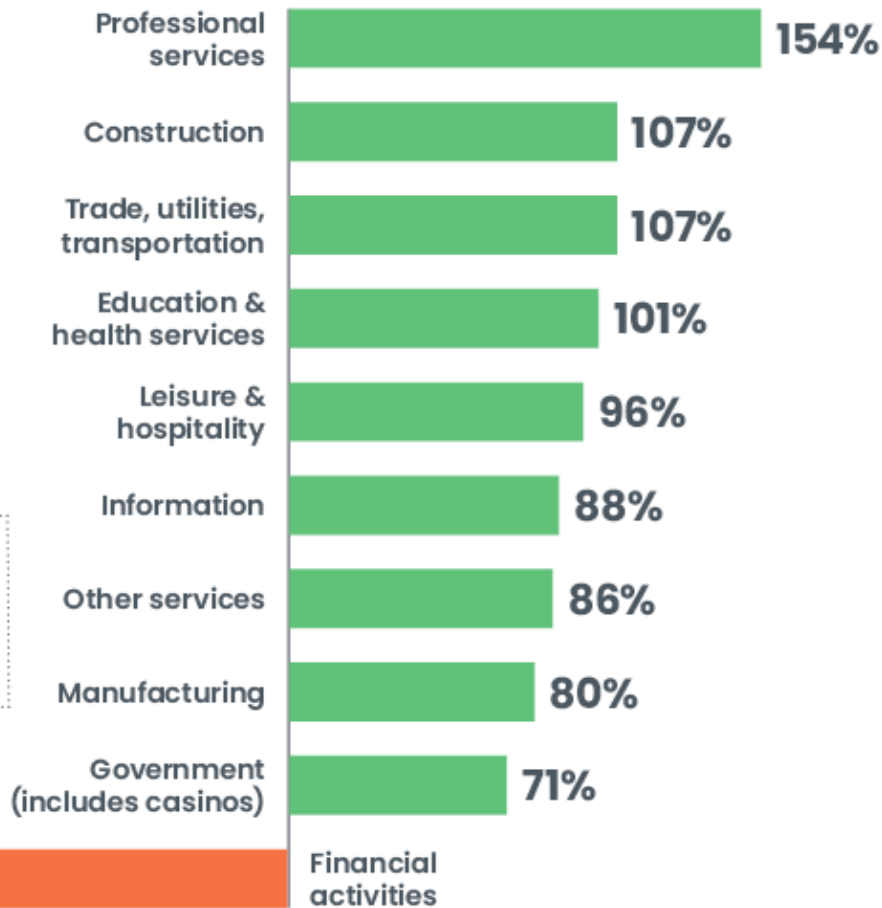
Source: U.S. Bureau of Labor Statistics

Connecticut COVID-19 Jobs Recovery (as of March 2023)

Source: U.S. Bureau
of Labor Statistics



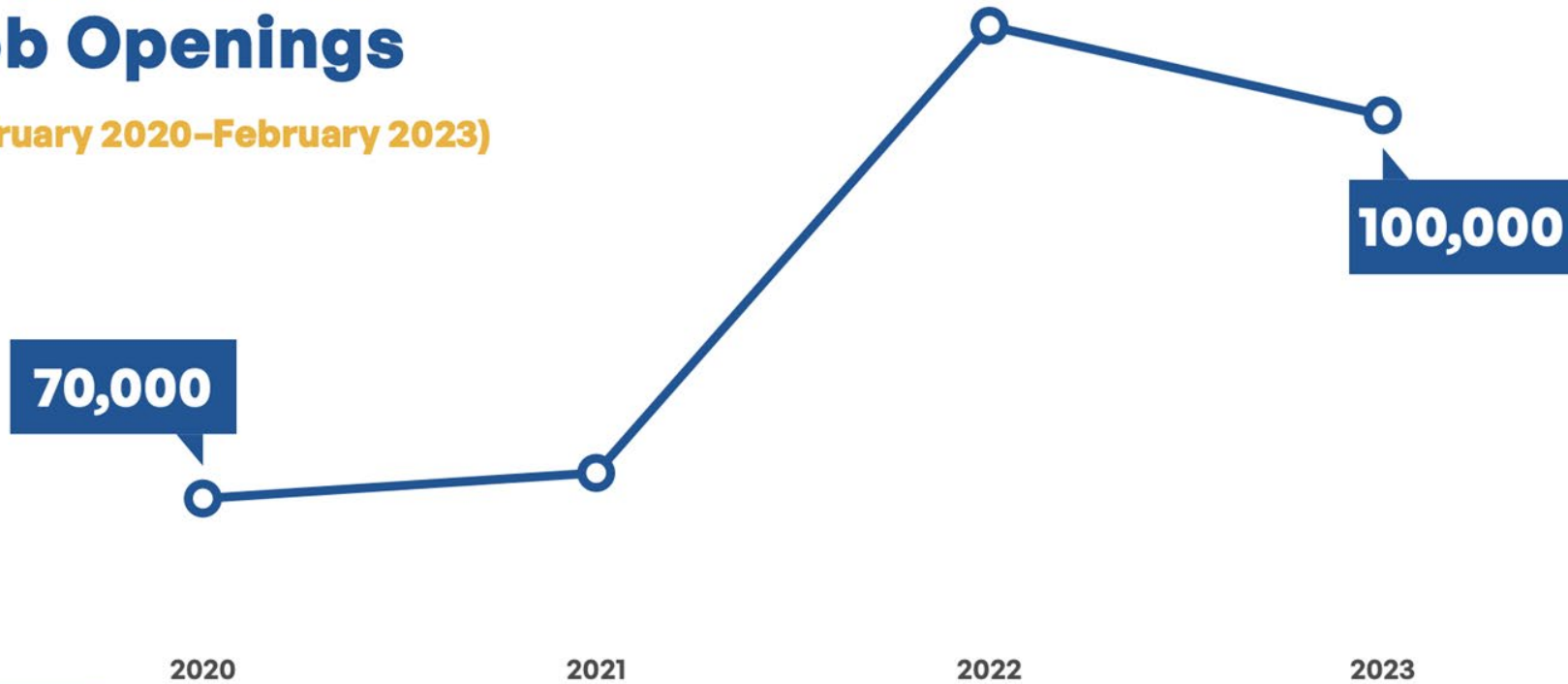
-168%

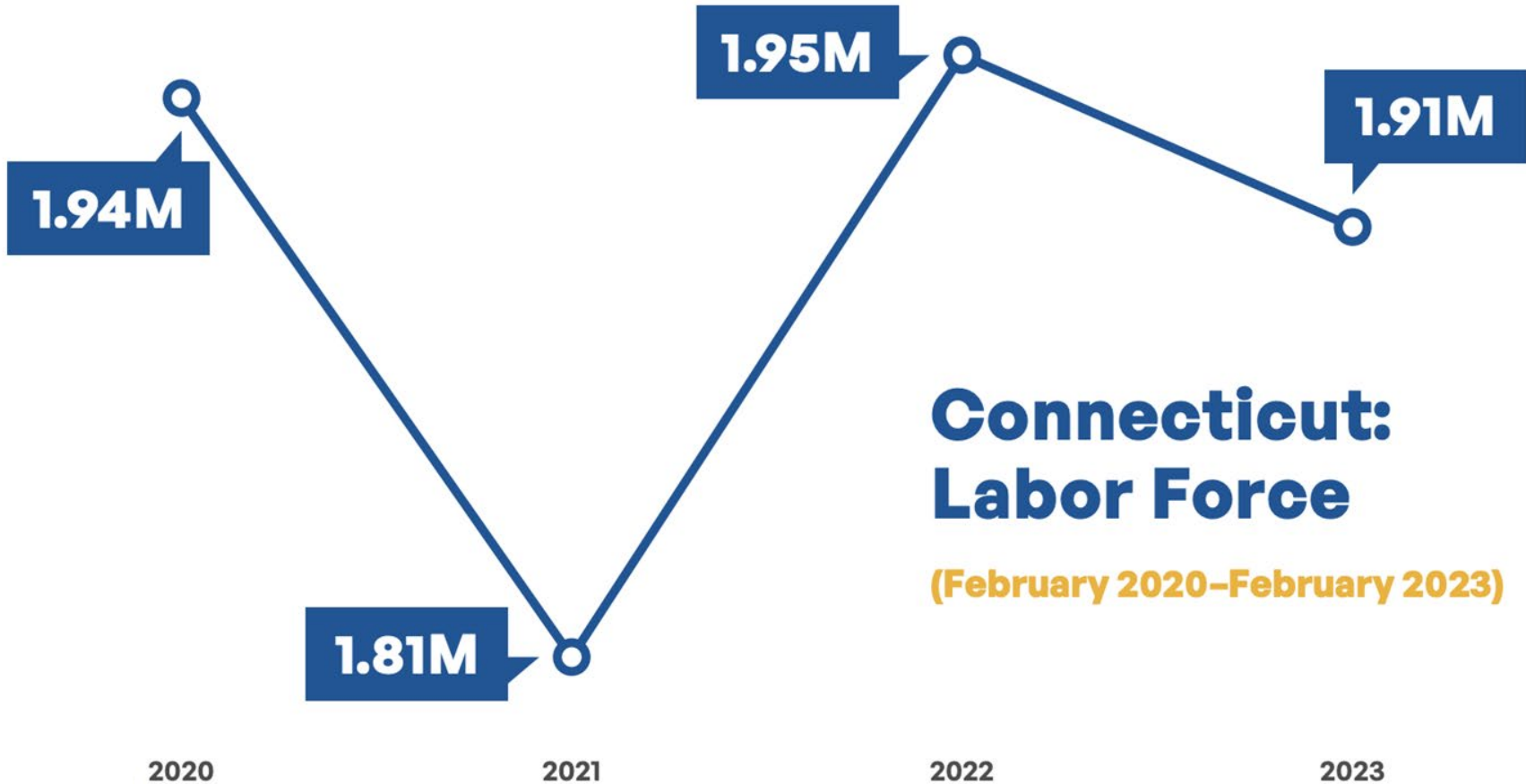


Connecticut: Job Openings

(February 2020–February 2023)

Source: U.S. Bureau of Labor Statistics





Connecticut: Labor Force

(February 2020–February 2023)

BY THE NUMBERS

Connecticut's Worker Shortage

FEBRUARY 2023

Job Openings

100,000

Monthly Change +9%

MARCH 2023

Unemployment

75,300

-11% year-over-year

MARCH 2023

Unemployment
Rate

4%

U.S. Rank #40

MARCH 2023

Labor Force

1,905,700

-2.3% year-over-year

MARCH 2023

Labor
Participation

64.5%

U.S. Rank #18

FEBRUARY 2023

Voluntary
Quits Rate

1.8%

U.S. Rank #3

FEBRUARY 2023

Hires Rate

2.5%

U.S. Rank #46

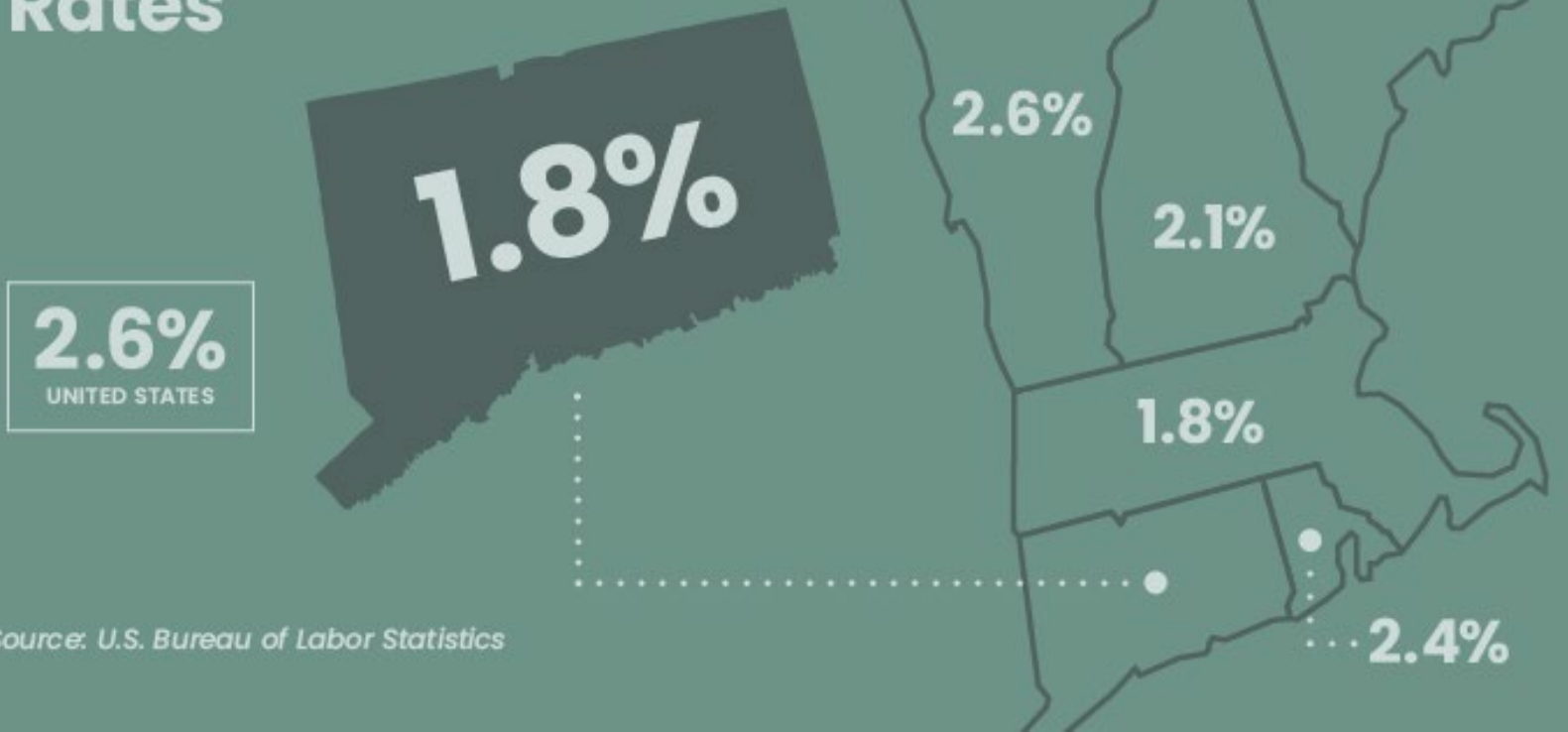
12-MONTH

Job Growth

+1.3%

U.S. Rank #45

New England Voluntary Quits Rates



Source: U.S. Bureau of Labor Statistics

New England Hires Rates

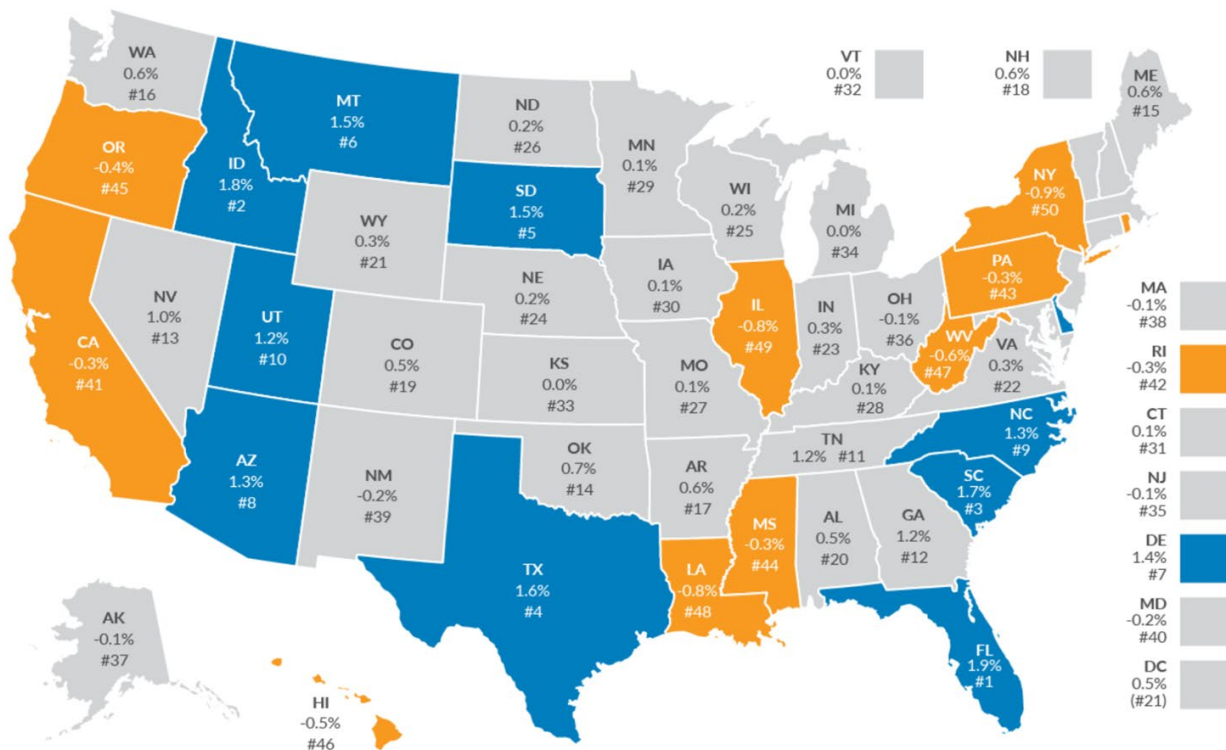
3.3%
UNITED STATES



Source: U.S. Bureau of Labor Statistics

State Population Change in 2022

State Migration Patterns, from Most Inbound to Most Outbound, 2022

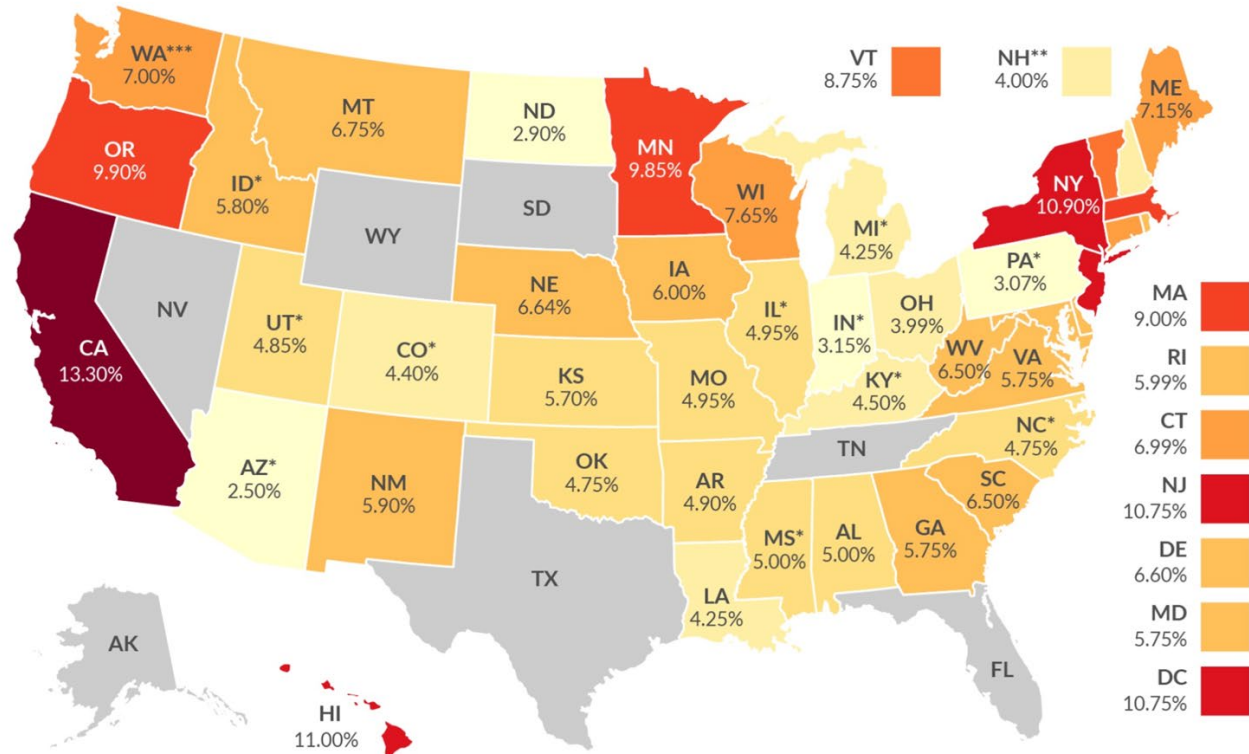


- Top 10 States for Inbound Migration
- Top 10 States for Outbound Migration

Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.

Source: U.S. Census Bureau.

Top Marginal State Individual Income Tax Rates (as of January 3, 2023)



Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included.

(*) State has a flat income tax.

(**) State only taxes interest and dividends income.

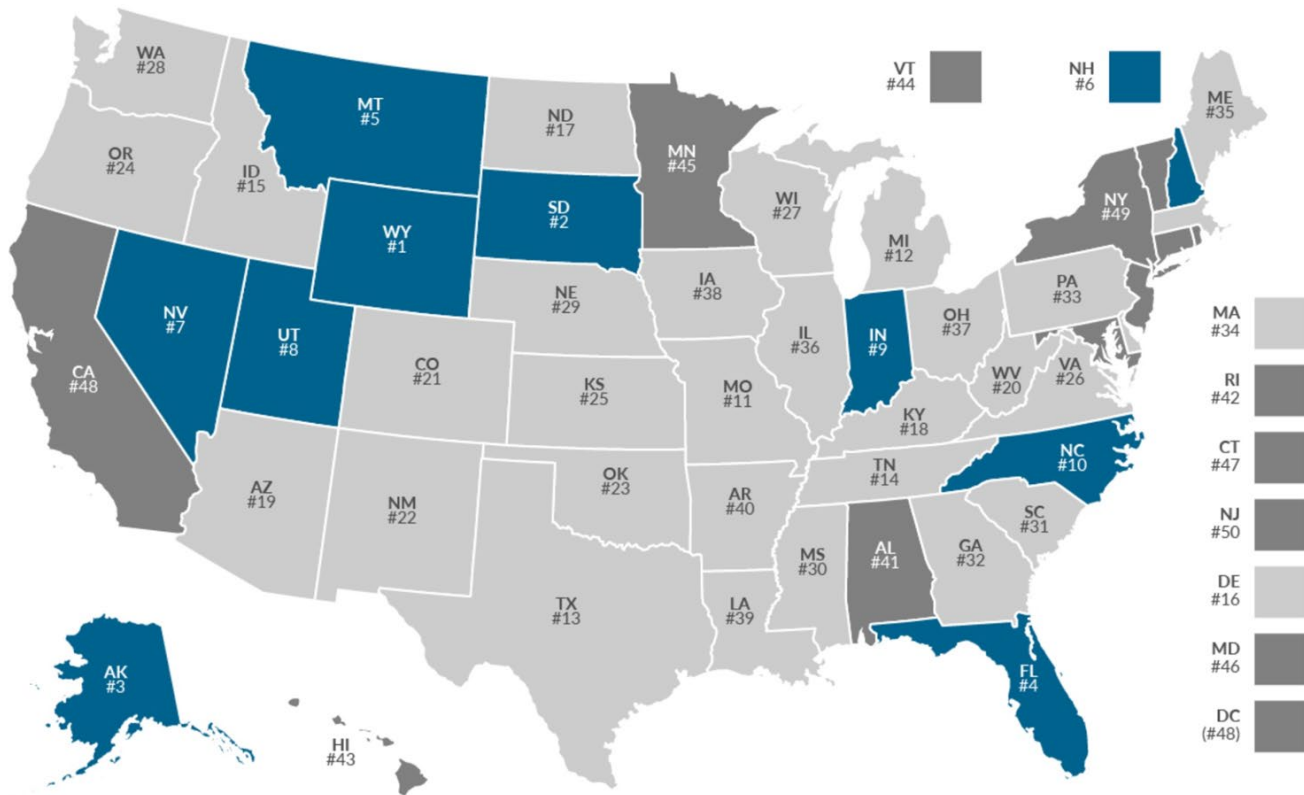
(***) State only taxes capital gains income.

Sources: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg Tax.



Top State Marginal Individual Income Tax Rates



2023 State Business Tax Climate Index
















Note: A rank of 1 is best, 50 is worst. D.C.'s score and rank do not affect other states. The report shows tax systems as of July 1, 2022 (the beginning of Fiscal Year 2023). Source: Tax Foundation.

-  10 Best Business Tax Climates
-  10 Worst Business Tax Climates

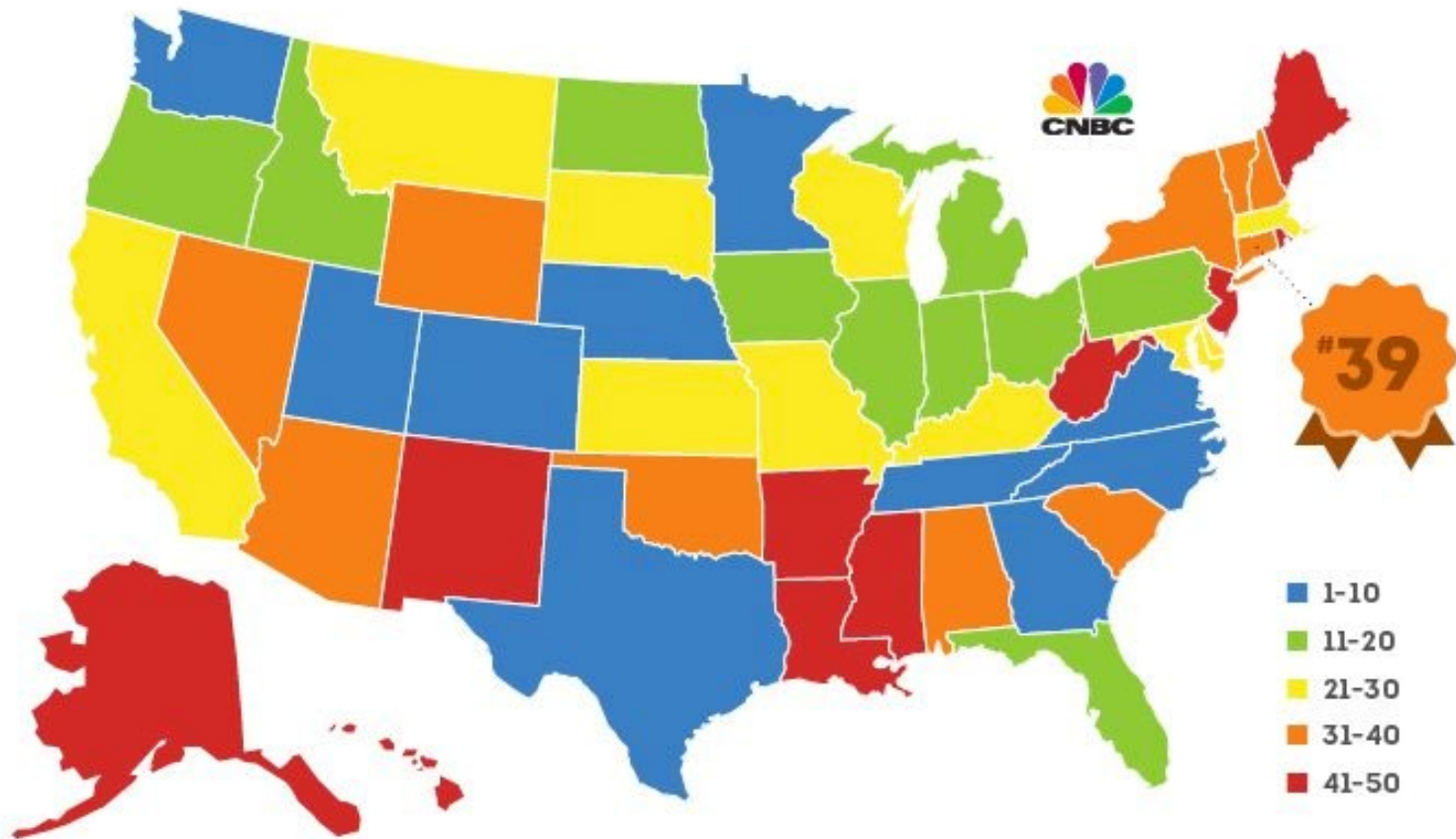
Connecticut		
	Rank	Score
Overall Rank	47 (+0)	4.08
Corporate Taxes	27 (-1)	5.09
Individual Taxes	47 (+0)	3.41
Sales Taxes	23 (+0)	4.80
Property Taxes	50 (+0)	2.27
Unemp. Insur. Taxes	23 (+0)	5.07

Neighboring States
#34 Massachusetts
#42 Rhode Island
#47 Connecticut
#49 New York

Top States
#1 Wyoming
#2 South Dakota
#3 Alaska
#4 Florida
#5 Montana

POLICY	VALUE	RANK
Top Marginal Personal Income Tax Rate 	6.99%	38 th
Top Marginal Corporate Income Tax Rate 	7.50%	32 nd
Personal Income Tax Progressivity  <i>(change in tax liability per \$1,000 of income)</i>	\$7.67	21 st
Property Tax Burden  <i>(per \$1,000 of personal income)</i>	\$42.80	45 th
Sales Tax Burden  <i>(per \$1,000 of personal income)</i>	\$16.53	11 th
Remaining Tax Burden  <i>(per \$1,000 of personal income)</i>	\$13.46	11 th
Estate / Inheritance Tax Levied? 	Yes	50 th
Recently Legislated Tax Changes 	\$0.00	29 th
Debt Service as a Share of Tax Revenue 	7.13%	38 th
Public Employees Per 10,000 of Population  <i>(full-time equivalent)</i>	491.7	19 th
State Liability System Survey  <i>(tort litigation treatment, judicial impartiality, etc.)</i>	73.8	3 rd
State Minimum Wage  <i>(federal floor is \$7.25)</i>	\$14.00	45 th
Average Workers' Compensation Costs  <i>(per \$100 of payroll)</i>	\$1.64	41 st

AMERICA'S TOP STATES FOR BUSINESS 2022





2022

AMERICA'S **TOP STATES** FOR BUSINESS

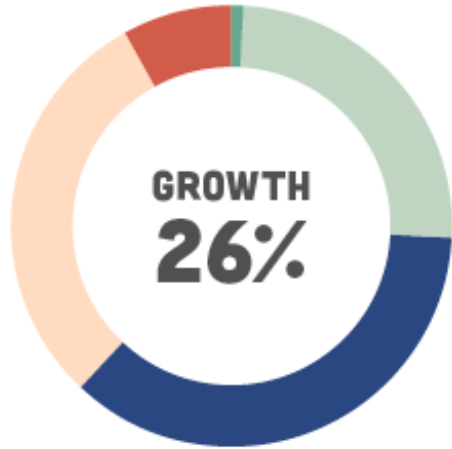
CONNECTICUT



RANK	CATEGORY	GRADE
8	Education	B+
11	Business Friendliness	B
14	Workforce	B
17	Life, Health & Inclusion	C
25	Technology & Innovation	C+

RANK	CATEGORY	GRADE
26	Access to Capital	C-
39	Infrastructure	D
43	Cost of Living	F
45	Cost of Doing Business	D
47	Economy	F

CONNECTICUT



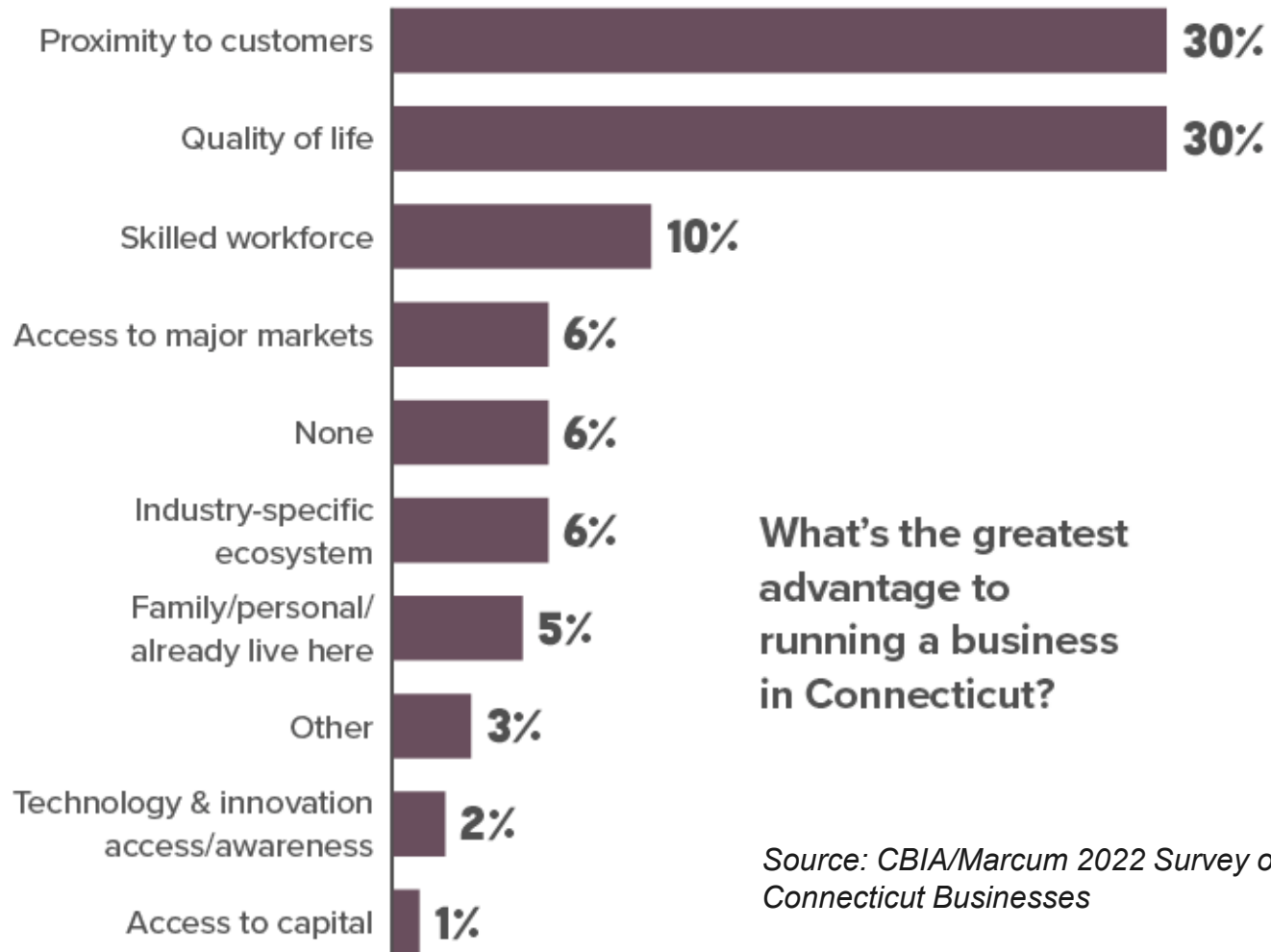
U.S.



What is your 12-month outlook for the Connecticut and U.S. economies?

- Strong growth (1%, 1%)
- Moderate growth (25%, 19%)
- Static (36%, 25%)
- Moderate contraction (30%, 38%)
- Strong contraction (8%, 17%)

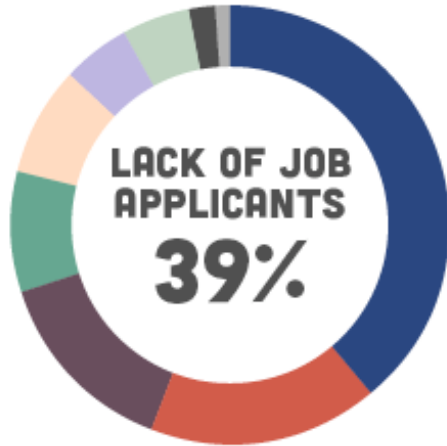
Source: CBIA/Marcum 2022 Survey of Connecticut Businesses



What's the greatest advantage to running a business in Connecticut?

Source: CBIA/Marcum 2022 Survey of Connecticut Businesses

What's the main factor hampering business growth?



- Lack of skilled job applicants (39%)
- Cost of living (17%)
- High business taxes (14%)
- Uncertainty, unpredictability of legislative decision-making (9%)
- Increased regulatory compliance costs (8%)
- Other (5%)
- Workplace mandates (5%)
- Cost of doing business (2%)
- Transportation infrastructure (1%)

Source: CBIA/Marcum 2022 Survey of Connecticut Businesses

TRANSFORM CONNECTICUT

2023 Policy Solutions



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Policy, Messaging Evolution

- **Replaced candidate endorsements** with Rebuilding Connecticut policy pledge for 2020 public awareness campaign
- Pledge designed to **build coalition of moderates** from both major political parties
- **135 legislative candidates** signed the Rebuilding Connecticut pledge, with 57 of those elected (30% of legislature)
- In 2022, 155 candidates signed Transform Connecticut pledge, with a bipartisan group of 84 winning races (**45% of legislature, 45 Rs, 39 Ds**)

7,373

hours spent
lobbying

229

public hearings
attended

136

anticompetitive
bills defeated

Saved Connecticut
employers

\$583

per employee annually*

CBIA's
2021-2022
Legislative
Results

78

positive bills
enacted

214

bills submitted
for testimony

8

registered staff
lobbyists

Transform Connecticut Policy Solutions

- **Highlight policy solutions** addressing the worker shortage
- **Transform the state** by building a sustainable opportunity economy that emphasizes affordability, meaningful careers, and a positive business climate
- Tackle the **high costs** of living and running a business, implement pathways to **rewarding careers**, leverage the state's **many strengths**
- **Open doors to opportunity** for all Connecticut residents

Policy Solutions

- **Incentivize developers and municipalities** to build workforce housing on former brownfield sites and in opportunity zones
- **Help residents struggling with student loans** by incentivizing employers to provide employees with loan or tuition reimbursement
- **Make it easier for small businesses** to access and provide affordable health insurance options for employees
- **Reduce the number of years** for transferability of out-of-state occupational licenses from three years to one year

Policy Solutions

- **Determine the feasibility** of public universities using H-1B cap exempt visas to promote workforce development
- **Reduce the cost of developing** the workforce of the future by eliminating the sales tax on training programs
- **Restore the pass-through entity tax credit** to its original level, returning more than \$60 million to struggling small businesses
- **Create a level playing field** for small businesses by allowing them to use the R&D tax credit

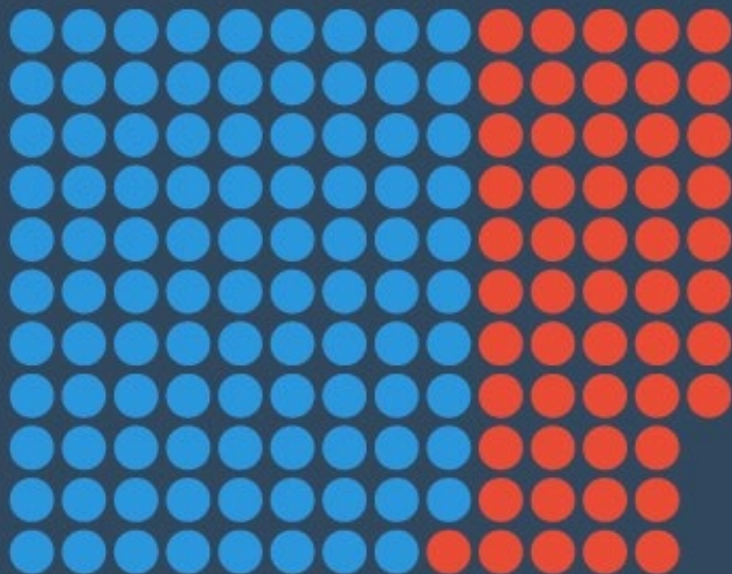
Policy Solutions

- **Make necessary investments** in the state's unemployment trust fund to address pandemic solvency issues and protect against future recessions
- **Promote electric grid reliability and energy affordability** by ramping up and optimizing energy storage solutions battery incentive program
- **Protect intellectual property** and promote early- and mid-stage private and public investment in the life sciences and medical device sectors
- **Incentivize business investment** by extending net operating loss carry forwards from 20 to 30 years

2023 Legislative Session

- Session kicked off **January 4**
- Governor Lamont unveiled proposed budget **February 8**
- Set tone of bipartisanship, **fiscal discipline**
- Raised bill deadlines **February 14-15**
- First joint favorable deadlines **March 7**
- Budget committees JF deadlines **April 21**
- Adjourn **June 7**

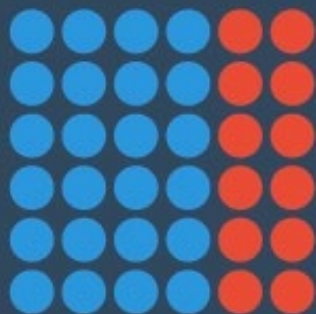
HOUSE



98

53

SENATE



24

12

2023-2024 General Assembly

● Democrats

● Republicans

Near, Long-Term Issues

- Connecticut's fiscal health **strongest in decades**—\$4.3 billion budget surplus in fiscal 2022, \$3.3 billion forecast this year
- 2017 bipartisan **fiscal reforms** extended five years (last-minute compromise following initial 10-year agreement)
- **Reforms created the foundation** for the governor's proposed budget
- **Recession fears, projected deficits** for 2024 and 2025 cloud near-term outlook
- State has **\$5.3 billion in federal funding** to invest over five years on transportation projects

Governor's Budget Proposal

- \$500 million-plus in **tax cuts**, increases state spending 3.5% in fiscal 2024 and 1.8% the following year
- Restores pass-through entity tax credit, returning **over \$60 million** to 123,000 small businesses
- **Workforce development**, housing investments plus employer childcare tax credits
- Extends **temporary corporate tax surcharge**, costing businesses \$130 million
- No funding for **unemployment trust fund** pandemic debt
- No expansion of **R&D tax credit** to small business

Legislature's Tax Plan

- Finance Committee endorsed **\$300 million tax cut plan**—first since mid 1990s—not as far-reaching as administration proposal
- **Cuts two lowest marginal rates**, with 3% (applied to first \$10,000 for singles; \$20,000 for couples) dropping to 2%
- **5% rate** for next \$40,000 earned by singles (\$80,000 for couples) drops to 4.75%
- **No change** for singles earning \$200,000-plus (couples \$400,000 or more)

Legislature's Tax Plan

- Finance Committee expanded current exemption limits for income taxes on **pensions and annuities** to \$100,000 (singles) and \$150,000 (couples) from \$75,000/\$100,000
- Committee's budget **exempts residents** of poorest neighborhoods (incomes below 30% of federal poverty level) from state income tax for three years
- Does not make **child tax credit** permanent, as progressive advocates wanted

Legislature's Tax Plan

- Finance Committee budget fails to endorse administration proposal restoring the **pass-through entity tax credit**
- Extends the “temporary” 10% **corporate tax surcharge** another three years
- Offers credit against surcharge for businesses with **ESOPs**
- Increases **corporation business tax credit** for human capital investments from 5% to 10% or 25% (childcare-related expenditures)

Legislature's Tax Plan

- Finance Committee plan extends **net operating loss deduction** period from 20 to 30 years (2015 or later)
- Allows certain corporations that own LLCs to claim **fixed capital investment tax credit** (effective Jan. 1, 2024)
- Exempts all job-related or personnel training services from **sales and use taxes**
- Increases redemption rate of **film and digital media tax credits** from 78% to 92%

Legislature's Spending Plan

- Appropriations Committee adopts **\$51 billion**, two-year spending plan largely in line with governor's proposal
- Lawmakers considering **circumventing statutory spending cap**—despite legislature earlier extending fiscal guardrails
- Pressure to **increase funding** for healthcare, education, nonprofits
- **Fixed costs**—pension and debt liabilities—remain biggest challenge, accounting for over one-third of budget

Other Issues

- Labor Committee endorses new workplace mandates, including **paid sick leave expansion**, banning noncompete agreements, allowing striking workers to collect unemployment
- Legislature again considering sweeping **climate change** measures, including aggressive new emissions targets
- Healthcare costs a major issue, including bill that levels playing field for **small business employee plan options**
- **Worker housing** measures navigating tricky path

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