CONNECTICUT VOICES FOR CHILDREN

To Steer Course out of Downturn, Connecticut Needs More Hands on Deck

October 2011

For generations Connecticut was one of the most innovative, productive places in the world—ours was a thoroughbred economy. Capitalizing on a talented workforce and close proximity to New York and Boston, Connecticut became a world leader in manufacturing and financial services, and our people prospered as a result.

Yet global competitors have caught up, and our economy no longer brings prosperity to many of our people. Over the last generation, Connecticut has ranked last in the nation in job growth,[1] and we are projected to rank last through 2017 as well.[2] One in eight Connecticut children now lives in poverty, and over 320,000 residents lack health insurance.[3]

Fortunately, the basic building blocks of our prosperity remain: Connecticut is still close to global markets like New York and still has a highly trained workforce. And, after generations of prosperity, we are home to some of the world's wealthiest individuals and companies. Regaining our lead will require making full use of these advantages.

This will be a complex matter, though. Our problem implicates nearly every corner of the economy—our education system, our transportation network, our energy infrastructure, our regulatory processes, and many others. Any solution, therefore, will require a comprehensive approach that brings all of the state's resources to bear, in coordinated fashion, on putting Connecticut back on top.

The upcoming jobs special session presents an opportunity to make such a change. We must focus our resources where they can have maximum impact, charting a **clear course for economic growth**, and we must take a **comprehensive approach** that encompasses not just traditional "economic development," but all state activities that significantly affect our economic climate.

In order to execute any strategy, however, we must boost the state's capacity to **coordinate planning and management** of economic policy across state agencies. This capacity shriveled under Governors Rowland and Rell. As the Pew Center noted in 2008, "the Office of Policy and Management—once home to many of those [planning] efforts—now operates with nearly half the staff it had 15 years ago."[4] In short, to steer a course to recovery, Connecticut needs more hands on deck.

Clear Course for Economic Growth

We must chart a clear course for economic growth. The Governor and General Assembly should advance a strategy that focuses our limited resources where they can generate the highest returns, rather than spreading them thin across the state.

Too often, we have failed to achieve the focus necessary to make best use of public funds. For example, a recent Brookings report on eight former industrial powerhouses from Charlotte to Cleveland reviewed Connecticut's efforts from 1980-2005 to revive manufacturing in Greater Hartford.[5] Brookings described the state's economic development initiatives as fragmented, "with myriad departments and quasi-public agencies engaged."[6] It observed that our efforts lacked the leadership present in the other seven regions studied,[7] all of which outperformed Greater Hartford in retaining manufacturing jobs. The region's multiple economic development actors made essentially no difference, Brookings concluded: "Their efforts do not appear to have been successful in changing the economic trajectory of the region."[8]

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That trajectory, even before the recession, pointed sharply downward.[9]

In the "knowledge economy," achieving critical mass is key; spreading our resources thin across Connecticut and across many industries is the opposite of a best practice. Whether it is Brookings emphasizing the importance of clusters,[10] Harvard's Edward Glaeser proclaiming the "triumph of the city,"[11] or the University of Toronto's Richard Florida celebrating the urban "creative class,"[12] the message is the same: concentrations of businesses and of talent are essential to thriving in the knowledge economy.

To compete in this economy, we must build on existing areas of excellence rather than trying to start new ones elsewhere;[13] strengthen rather than sideline cities and towns that have proven attractive to creative young people;[14] and make transportation investments to bring workers from across the state to jobs in these places. Accomplishing this will require a higher degree of focus than we presently have.

Comprehensive Approach to Economic Policy

We also must take a comprehensive approach that encompasses not just traditional "economic development," but all state activities that significantly affect our economic climate.

Traditional economic development—business tax credits, state loans and grants, assistance with site selection, etc.—is only a small part of the state's effort to boost Connecticut's competitiveness and create jobs. A December 2009 report by the Legislative Program Review and Investigations Committee summed up programs dealing with economic development and found the state spent about $600 million annually on economic development activities.[15]

The state spends far more in other areas that influence the economy. For instance, the state allocated $1.3 billion in FY12 to the Special Transportation Fund that maintains and improves the infrastructure linking us to global markets like New York and Boston. Meanwhile, the State Department of Education was allocated $3.3 billion for FY12, and hundreds of millions more went to higher education to train our current and future workforce.[16] And that is not to mention health care or housing, other areas with great influence on the state's competitiveness. Traditional economic-development spending represents only a fraction of what we spend to develop the state economy.

Our job creation strategy should encompass all spending with significant impact on our economic climate, and—given scarce resources—it should optimize spending across the various departments. We should put together a unified, cross-agency economic development budget and use cost-benefit analysis to weigh, for instance, $100 million for business tax credits against $100 million for high-speed rail and choose the best use of those funds. Governor Malloy's transition team recommended much the same, declaring that "Connecticut needs to be smarter about how it spends its limited capital investment dollars."[17] Rather than making economic decisions in agency silos, the state should treat economic strategy in a comprehensive way.

Coordinated Planning and Management

Currently, Connecticut lacks a well-staffed economic planning and management apparatus. Yet without a strong steering function, it is difficult to pursue a focused, comprehensive strategy. Indeed, the *New York Times* characterized the recent past of Connecticut state government as "chaotic" and "ineffectual."[18] Changing course will require building a robust staff devoted to synchronizing decisions across agencies —coordination will not just occur on its own.

Under Governors O'Neill and Weicker, the Office of Policy and Management (OPM) had the resources and manpower to engage in such planning and oversight,[19] but this capacity shriveled under Governors Rowland and Rell. In fact, OPM's budgeted staff has shrunk about 40% since 1991-92.[20] Today, while OPM has seven divisions, none is devoted to economic planning.[21]

The Department of Economic and Community Development (DECD) is the state's lead agency on economic policy and does employ a PhD economist, but its Commissioner lacks broad jurisdiction over other agencies. DECD can provide advice, but it lacks the authority, not to mention the manpower, to steer all the state functions that affect our economy.

Contrast this arrangement with one that is in the news daily—the federal economic policy apparatus.

Presidents have both a Council of Economic Advisors, a team of economists that recommends high-level policies, and a National Economic Council, which coordinates and manages the application of these policies. Both councils operate within the Executive Office of the President and thus have presidential backing to direct Cabinet officials and their departments in executing the President's policies.[22] Connecticut, by contrast, lacks this overarching policy structure; if the federal government operated as we do, it would run the nation's economic policy out of the Commerce Department.

A Connecticut Voices review of economic policymaking in the 50 states found that economic planning is a common feature of state governments. At least 17 state budget offices have an economic planning division and at least 18 governors have councils of economic advisors. Nearly every state, meanwhile, conducts basic policy planning in its budget office (see Figure 1 below).[23]

At the national and state levels, there are models for coordinated economic planning and management. And we ourselves, prior to the Rowland Administration, had such coordination. In a 1992 article praising the Office of Policy and Management, the *New York Times* described an agency aimed at "get[ting] the state to function in concert, as opposed to each department, each division, setting its own agenda." "Planning and policy directives have been issued that cross all agency lines and jurisdictions," the *Times* wrote. "Communications and computer systems throughout the executive branch are being coordinated."[24]

Recommendation

If Connecticut is to chart a clear course for growth and take a comprehensive approach to economic policy, we must expand our coordination capacity. A straightforward means of accomplishing this would be to rebuild the planning function at OPM. OPM already has statutory authority to coordinate agency functions,[25] and it still has staff engaged in planning activities, not to mention more engaged in the parallel process of agency budgeting.

Strengthening the steering capabilities at OPM would likely require hiring additional staff. Currently, the agency is budgeted for 159 staff, down from 261 in 1991-92.[26] Restoring even half of that loss could increase OPM's capabilities substantially. In the context of a 50,000-person, $20 billion-dollar state government, hiring 50 people to make sure the 50,000 are working together and the $20 billion is spent wisely would be a smart investment.

Moreover, bolstering OPM's planning abilities could allow it to find more savings across agencies. Planning staff could spread best practices across departments, search out inefficiencies, and implement many of the cost savers recommended last December by the Commission on Enhancing Agency Outcomes.[27] Given this potential for savings, an increase in planning staff could pay for itself. To cover start-up funding, we could even approach state and national foundations to make an initial grant. In sum, not only could we ensure state money is spent more effectively, we may be able to save along the way.

Conclusion

Challenging economic and budget times demand the state make maximum use of limited resources. Putting Connecticut back to work now and steering a course for future prosperity is a task too large and complex to tackle piecemeal. We must approach it with a clear, comprehensive plan and execute that plan across all state agencies. We must replace our fragmented approach to economic growth with a focused one, replace our narrow view of economic development with a broader one, and restore the steering capacity needed for Connecticut to make best use of our people's contributions to our state community.

Figure 1. State Economic Planning Apparatuses

State	Active council of economic advisors	Economic policy division in budget office	Coordinating/planning function in budget office
Alabama			x
Alaska		x	x
Arizona			x
Arkansas	x		x
California	x	x	x
Colorado		x	x
Connecticut			x
Delaware	x		
Florida	x		x
Georgia	x		x
Hawaii			x
Idaho	x	x	x
Illinois	x	x	x
Indiana			x
Iowa		x	x
Kansas	x		x
Kentucky		x	x
Louisiana			x
Maine			x
Maryland			x
Massachusetts	x	x	x
Michigan			x
Minnesota		x	x
Mississippi			x
Missouri		x	x
Montana			x
Nebraska			
Nevada			x
New Hampshire			
New Jersey	x		x
New Mexico			x
New York	x		x
North Carolina		x	x
North Dakota			x
Ohio	x		x
Oklahoma			x
Oregon	x		x
Pennsylvania			
Rhode Island			x
South Carolina			x
South Dakota			x

Tennessee			
Texas		x	x
Utah	x	x	x
Vermont	x	x	x
Virginia	x	x	x
Washington	x	x	x
West Virginia			
Wisconsin	x		x
Wyoming		x	x
TOTAL	**18**	**17**	**44**

Source: Connecticut Voices review of state executive and budget office organizational structures

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[1] Bureau of Labor Statistics, U.S. Department of Labor, *Local Area Unemployment Statistics,* www.bls.gov/lau.
[2] IHS Global Insight, *U.S. Markets: Executive Summary,* Summer 2011.
[3] Connecticut Voices for Children, *Poverty, Median Income, and Health Insurance in Connecticut: Summary of 2010 American Community Survey Census Data,* September 2011, http://www.ctkidslink.org/censuspoverty10.html.
[4] Pew Center on the States, Government Performance Project, *Grading the States: Connecticut,* March 2008, http://www.pewcenteronthestates.org/states_card.aspx?abrv=CT.
[5] Patricia Atkins et al., Metropolitan Policy Program, Brookings Institution, *Responding to Manufacturing Job Loss: What Can Economic Development Policy Do?,* June 2011, http://www.brookings.edu/papers/2011/06_manufacturing_job_loss.aspx.
[6] *Id.* at 20.
[7] *Id.* at 44.
[8] *Id.* at 23.
[9] The Hartford Metro Area lost about half of its manufacturing jobs from 1980-2005, over twice the rate of loss nationally. *Id.* at 2.
[10] Mark Muro and Kenan Fikri, Brookings-Rockefeller Project on State and Metropolitan Innovation, Brookings Institution, *Job Creation on a Budget: How Regional Industry Clusters Can Add Jobs, Bolster Entrepreneurship, and Spark Innovation*, January 2011, http://www.brookings.edu/papers/2011/0119_clusters_muro.aspx.
[11] Edward Glaeser, *Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier, and Happier,* Penguin Press, 2011.
[12] Richard Florida, *The Rise of the Creative Class: The New Global Competition for Talent,* Harper Business, 2005.
[13] See Mark Muro and Bruce Katz, Metropolitan Policy Program, Brookings Institution, *The New "Cluster Moment": How Regional Innovation Clusters Can Foster the Next Economy,* September 2010, http://www.brookings.edu/papers/2010/0921_clusters_muro_katz.aspx.
[14] See Richard Florida, "Regions and Universities Together Can Foster a Creative Economy," *Chronicle of Higher Education,* September 15, 2006, http://chronicle.com/article/RegionsUniversities/21102.
[15] In its December 2009 review of the state's economic development apparatus, the Legislative Program Review and Investigations Committee found 102 programs across 24 agencies funded at $581 million annually fell in the category of "economic development." This figure does not include quite all economic development expenditures, however. Legislative Program Review and Investigations Committee, *Connecticut's Economic Competitiveness in Selected Areas,* December 2009, pg. 9, http://www.cga.ct.gov/pri/2009_CEC.asp.
[16] Office of Fiscal Analysis, *Connecticut State Budget: FY12 & FY13 Biennium,* July 14, 2011, http://www.cga.ct.gov/OFA/.
[17] Recommendations of Governor Malloy's Jobs and Economic Development Transition Policy Working Group, January 2011, http://www.governor.ct.gov/malloy/lib/malloy/9-Jobs_&_Economic_Development.pdf.
[18] Peter Applebome, "Beneath Connecticut's Image of Affluence, Deep Fiscal Pain," *New York Times*, June 29, 2011, http://www.nytimes.com/2011/06/30/nyregion/behind-affluent-image-connecticut-faces-economic-pain.html?pagewanted=all.
[19] See Kirk Johnson, "Connecticut's Management Maestro; A 'Shadow of the Governor,' William Cibes Gets Agencies to Function in Concert," *New York Times,* May 28, 1992, http://www.nytimes.com/1992/05/28/nyregion/connecticut-s-management-maestro-shadow-governor-william-cibes-gets-agencies.html?pagewanted=all&src=pm.
[20] Based on a comparison of state budgets in FY92 and FY12. Office of Fiscal Analysis, *The State Budget for the 1992-93 Fiscal Year,* July 1992, http://www.cga.ct.gov/ofa/Documents/year/BB/1993BB-19920701_FY%201993%20Connecticut%20State%20Budget.pdf; Office of Fiscal Analysis, *Connecticut State Budget: FY12 & FY13 Biennium,* July 14, 2011, http://www.cga.ct.gov/OFA/.
[21] Office of Policy and Management, *About OPM*, http://www.ct.gov/OPM/cwp/view.asp?a=3006&Q=382848&opmNav_GID=1386.
[22] Council of Economic Advisors, *About CEA*, http://www.whitehouse.gov/administration/eop/cea/about; National Economic Council, *Overview,* http://www.whitehouse.gov/administration/eop/nec.
[23] Connecticut Voices conducted a search of executive branch and budget office websites, organizational charts, and state budgets to ascertain which states have which sorts of economic policy apparatuses. Because some states may have operating entities that do not appear to be active, we use the phrase "at least"—these figures should be seen as minimums.
[24] See note 18, *supra.*
[25] See note 20, *supra.*
[26] See note 19, *supra.*
[27] Commission on Enhancing Agency Outcomes, *Final Report*, December 2010, http://www.cga.ct.gov/gae/ceao/.