Economic Outlook Hinges on Fiscal Choices

State’s defense industry on edge over sequestration decision

By Bill DeRosa

On January 4—just days after Congress passed a “fiscal cliff” agreement that, as a first step, raised taxes, took a pass on addressing spending, and delayed sequestration for two months—500 Connecticut business leaders came together in Hartford to hear leading experts on economic and fiscal policy discuss what lies ahead for the national and state economies.

As it turns out, a lot will depend on fiscal decisions made in Washington over the next few weeks—and in Hartford between now and June 9, the close of the 2013 General Assembly session.

The 2013 Economic Summit & Outlook, presented by CBIA and the MetroHartford Alliance and sponsored by Webster Bank, was held at the Marriott Hartford Downtown and featured presentations by Joan K. Woodward, executive vice president at Travelers and president of the Travelers Institute; Christine M. Cumming, first vice president and COO of the Federal Reserve Bank of New York; and Dr. Nicholas S. Perna, economic advisor to Webster Bank.

The event also included a panel discussion on federal defense cutbacks and the consequences of sequestration—deep across-the-board cuts in federal defense and other spending, currently set to take effect in March.
Four Key Recommendations

In his Jan. 10 address at the State Capitol, Gov. Malloy opened up the 2013 General Assembly session by asking lawmakers to make economic growth and job creation their top priority. He urged them to “approach this session with a core guiding principle: Until every person in our state who wants a job can find one, we have more work to do.”

To help policymakers get that work done, CBIA developed its 2013 Government Affairs Agenda, a detailed framework for the kind of policy decisions that must be made to restore business confidence in Connecticut and help companies grow and create jobs here. Our Government Affairs Agenda outlines key recommendations for the legislature, including:

- Commit to adhering to the state’s constitutional cap on spending, resulting in a balanced biennial budget (fiscal years 2014–2015) without the need for revenue increases. If we kept that commitment long-term, as the economy grows, we could afford to reduce taxes. Getting there, however, would require a serious discussion about what the legitimate role of government is and how we’re going to continue to lean its operations.

- Adopt a comprehensive energy policy that maintains the diversity of sources and takes full advantage of less expensive natural gas and hydro-generated electricity.

- Create a regulatory climate that is responsive to our economic goals without compromising the mission behind the regulations. That can be accomplished by understanding market changes, being more responsive and quicker in decision-making, ensuring that regulations are applied to real problems, and repealing unnecessary or antiquated regulations and statutes.

- Do no harm. Avoid legislative actions that would add to economic uncertainty in the state or make it harder for businesses to invest and create jobs here.

Within a week or so, the governor will be presenting his recommendations for closing Connecticut’s projected state budget shortfalls. We are hopeful that he will continue reaching out to leadership on both sides of the aisle to pass a budget that is not only balanced but helps create momentum for economic recovery in the state.

I invite you to read CBIA’s 2013 Government Affairs Agenda: A Stronger, More Competitive Connecticut at gov.cbia.com, and I encourage you to bring it to the attention of your state senators and representatives.

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Fiscal Sanity

A common refrain among attendees and presenters at the summit was the importance of fiscal stability—what Woodward referred to as "fiscal sanity"—to business confidence and economic growth.

She noted that the last couple of years have not been good ones, fiscally speaking, for the United States, citing the downgrade of U.S. debt in 2011 resulting from political gamesmanship over extending the debt ceiling, the failure of the Simpson-Bowles National Commission on Fiscal Responsibility and Reform, and the fact that we have already reached the $16.394 trillion federal debt ceiling.

Whether Congress and the administration can achieve fiscal sanity depends largely on how they choose to address three major issues that must be resolved before the end of March.

▶ The debt ceiling. Extending the debt ceiling would allow the Treasury to continue borrowing (issuing securities) to fund expenditures already approved by Congress. Failure to extend the ceiling would not only risk another downgrade by the rating agencies but also "precipitate a global financial collapse, when a risk-free instrument [U.S. Treasury bonds] becomes risky," said Perna. He added that anyone who argues that the debt ceiling should not be raised "is playing with fire."

▶ Sequestration. Allowing sequestration to take effect—automatic spending cuts totalling $1.2 trillion over 10 years in defense and other domestic programs—would be potentially disastrous for Connecticut, whose economy relies heavily on its defense-related companies, from hundreds of small manufacturers in the supply chain to huge defense contractors like Electric Boat, General Electric, and United Technologies.

▶ The continuing budget resolution. In the absence of a formal appropriations bill, passing another continuing budget resolution would avoid the temporary shutdown of certain federal government functions and programs.

The current continuing resolution was signed by the President on Sept. 28 and expires March 27.

Resolving these issues quickly and responsibly and getting the national debt under control is a "business imperative," said Woodward, who showed summit attendees a brief clip of Overdraft, a documentary about the dire consequences of the nation's debt crisis produced by Travelers with PBS. (Watch it online at bit.ly/RV3ffI.)

Woodward called the federal fiscal crisis the most important economic issue of our time, adding that her company is extremely concerned about it: "for economic growth, for economic competitiveness, for young people, and for our business."

CBIA News spoke with several summit attendees who agreed that fiscal sanity is a business imperative.

"We need an end to the drama coming out of Washington," said Bob Sobolewski, president and CEO of cooling equipment manufacturer ebm-papst Inc. in Farmington.

"We need stability in our fiscal policy so that we and our customers can predict what the playing field will be and adapt to it."

Jay Sheehy, CEO of building materials distributor Kamco Supply Corp., of New England in Wallingford, agreed, arguing that uncertainty is the biggest downside to the fiscal issues affecting the state and federal government.

"We all know we have to pay taxes," said Sheehy. "We all pay significant taxes and business fees. So we accept that, we accept our responsibility. But the uncertainty that comes with continually escalating deficits without some control is, for me, the largest single risk."

A Matter of Timing

The Fed's Christine Cumming also believes it's time to work on deficit reduction, but she warned that in a still-fragile economy, timing is important.

"There's no question that we need to fix the trajectory of fiscal policy," she said. "But at the same time, you can really overdo it if you do too much too early and really end up taking the life out of the economy."

Perna agreed, arguing that aggressive deficit cutting after a recession can be problematic.

"Cutting deficits in the short run gives you Greece, gives you Ireland," he said. "What's happened there is that the deficit reductions, the austerity [measures], have made the recessions worse. It's like throwing someone into debtor's prison and wondering why they can't pay you back. The ideal deal would be one that actually..."
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provided some [economic] stimulus near term and ironclad measures to reduce the deficit longer term.”

Cumming explained that in December, the Fed announced that it would be buying Treasury and mortgage-backed securities in a new round of stimulus, or quantitative easing, in the hope of lowering long-term interest rates and stimulating economic activity. He said that in this case, rather than limiting quantitative easing to a specific time period, the Fed would keep buying securities until the unemployment rate falls below 6.5% or the inflation rate rises above 2.5%, and as long as inflation expectations are stable.

“We’re going to do this as long as is necessary to make sure that the economy recovers,” said Cumming.

State Budget: ‘It’s a Spending Problem’
At the state level, of course, carrying over budget deficits from year to year is not an option. Sobolewski, Sheehy, and other summit attendees believe that in the aftermath of the massive 2011 Connecticut tax increase, it’s time to focus on the spending side.

“Two years ago, they passed the largest tax increase in state history,” said Jason Howey, president of precision manufacturer Okay Industries Inc. in New Britain. “Now they have to figure out how to have a leaner, more efficient government, and they have to do something about spending. It’s a spending problem.”

“We have to realize that it’s easy for many taxpayers to relocate to more favorable tax climates,” said Sobolewski. “As long as we keep making it easy, they’re going to go ahead and leave. We just can’t chase our high-income taxpayers out of the state and expect to continue to be competitive and avoid budget deficits.”

Mark DiVenere, president of metal stampings manufacturer Gemco Manufacturing Co. Inc. in Southington, would like to see the state handle its budget the way private-sector organizations have to handle theirs—and that means making tough choices.

“The thing is, I have to get my own fiscal house in order. When the recession hit in 2008 and 2009, difficult decisions had to be made. Right now, I don’t see that the state is making those,” he said, adding that even after the 2011 tax increase, the state is still facing budget deficits. “So where are we going to go for more dollars?”

That question is now squarely in front of state legislators, who are working on a new biennial budget for fiscal years 2014 and 2015. In the process, they’ll have to figure out how to close a $1.16 billion budget gap projected for 2014 and a nearly $1 billion deficit for the following year.

‘How Do We Get Out of This?’
Perna raised that question during his summit address and proposed that at least part of the answer involves making state government more efficient and more cost-effective.

“We’re still doing things the old-fashioned way,” he said. “The private sector has completely restructured itself. If you went into Webster Bank today, it looks nothing like it did five or 10 or 20 years ago. Sure, there are computers all over government, but I’m not sure we’re doing things differently to the extent that we could. And that doesn’t mean doing less; it means doing things a lot better.”

Several summit attendees identified the need to reform the state employee retirement benefits system as a key to solving Connecticut’s long-term fiscal problems, a position that CBIA strongly supports. Over the last two decades, spending for state employee retiree health benefits has grown by 1.395% and pension costs by 187%—growth that has begun to crowd out state investments in educa-
tion and other key budget areas.

Those benefits, said DiVenere, “are clearly unsustainable and have been for the last 10 or 12 years. It’s not the state employees—they’re great people. It’s the system that needs to change.”

Eileen Hasson, president of I.T. consulting firm The Computer Company in Cromwell, is also concerned about the long-term effects of continued growth in spending for state employee retirement benefits, especially given demographic trends.

“With more people retiring and everyone living longer, I don’t think you need to be a financial wizard to wonder who is going to pay for that,” she said. “If you’re a public servant who has worked 25 years and may be 50 years old—that person’s got potentially 30 or 40 years of receiving state benefits,” which, she pointed out, are very rich benefits compared to what’s typically available in the private sector.

Sheehy believes a more disciplined approach to fiscal policy will make Connecticut a more business-friendly state, which in turn will accelerate economic recovery.

“More business investment equals more jobs, more prosperity for people,” he said. “For every employee creating economy in the near-term? Nationally, the signals we’re getting are mixed, said Cumming.

“The recovery is showing some very good, strong signs, and it’s also showing some more worrisome signs.” She cited decreasing household debt, recent strength in the housing market, and growth in consumer spending as positive indicators.

Similarly, Perna noted optimistically that there is considerable pent-up consumer demand for cars and housing—a good sign when it comes to near-term economic growth.

When it comes to B2B, Hasson’s firm, with locations in four states, has already seen pent-up demand materialize—in her case, for I.T. services.

“Companies are doing better,” she said. “I.T. demand in general has grown. I think with the problems of the last four years, there has not been a lot of development money going into IT, and now there is huge demand.”

On the downside, Cumming noted that although unemployment nationally has dropped (to 7.8% at press time, compared with 8.8% in Connecticut), “it’s come down mostly because people have stopped looking for work.”

She also pointed out that several indicators that had been showing strength have flattened over the last three quarters, including business fixed investment, exports, and industrial production.

The outlook for Connecticut, Perna believes, is promising, particularly looking ahead to 2014. The consensus is that the state will recover 5,000 to 7,000 jobs this year, he said, but “next year is the year that things should look pretty good. By that time, what’s behind us is the fiscal cliff, what’s behind us is the problem in Europe (we hope), so we should get very decent job growth in 2014. How much? Twenty thousand to 25,000 jobs. So if we can hang on in 2013, 2014 is the year.”

But, added, Perna, that’s all contingent on sequestration not taking effect, mainly because of the dramatic negative impact it would have on the Pentagon’s budget.
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Crunch Time for State’s Defense Industry

Defense is big business in Connecticut. So it’s no surprise that the potential for sequestration has many of the state’s defense contractors and suppliers—and their employees—on edge.

Just how big is Connecticut’s defense industry? It accounts for approximately 50,000 jobs and $25 billion per year in economic activity, says Bob Ross, executive director of the state’s Office of Military Affairs, an agency charged with supporting the defense industry and military organizations in Connecticut, including the sub base in Groton.

“That’s approaching about 10% of our economy,” says Ross. “Connecticut ranks eighth in the nation as a defense contracting state and third on a per capita basis.”

Given such high stakes, what can be done to ensure that this critical sector of our economy stays strong in an era of reduced defense spending?

That was a question at the center of a summit panel discussion that featured Ross; Jay DeFrank, vice president of communications and government relations at Pratt & Whitney; Colin Cooper, CEO of aerospace component manufacturer Whitcraft Group LLC in Eastford; and Oz Griebel, president and CEO of the MetroHartford Alliance, who served as moderator.

Let’s Hope Churchill Was Right

According to DeFrank, the possibility that sequestration would be allowed to take effect has already had an impact through the defense industry supply chain in terms of dampening hiring and capital investment. If it happens, however, the impact will be much worse.

“In one study done for the Aerospace Industries Association, George Mason University put Connecticut among the top 10 states most at risk for the effects of sequestration,” said DeFrank. “In fact, 42,000 jobs could be affected (in the state). Many of those job losses would be in small businesses.”

DeFrank noted that when the nearly half-trillion dollars in defense cuts made in 2011 are combined with the half-trillion that’s at risk if sequestration goes into effect in March, “you can see how threatening an entire industry with a trillion dollars in cuts can quickly cascade down to states, communities, and individual businesses, costing jobs and jeopardizing capital investments at a time when we’re struggling to recover from the recession.”

He pointed out, however, that as damaging to Connecticut as sequestration could be, given the long-term U.S. fiscal picture, “it’s just a harbinger of what is going to be a long and challenging trend.” But he believes that trend may actually represent an opportunity for those who “early on, take the long view and position themselves for the future.”

DeFrank and Ross are optimistic about the chances for avoiding sequestration.

“I’m a believer in what Winston Churchill said—that the Americans always come to the right answer after they’ve exhausted every other possibility,” said DeFrank.

Strategies Moving Forward

For DeFrank, one of the keys to ensuring a strong Connecticut defense sector is for the industry and state government to recognize that the budget environment we’re in is long-term and that we have to adapt. “We cannot be captives of how we did things in the last century,” he said.

Colin Cooper of Whitcraft believes the state legislature could help by taking a cost-benefit-analysis approach to legislation, noting that the benefits of some programs may go to one economic sector, but the cost falls on others.

“Manufacturing sometimes feels that companies are looked at as revenue streams for government programs. So, really, a cost-benefit approach to things [is what's needed],” he said.

DeFrank recommended that the state take several actions, including partnering with industry to retain displaced workers to provide them with the skills needed for complex, high-tech manufacturing. He also called for long-term predictability and stability in areas of government such as the tax code—in particular, the administration of tax credits.

Connecticut’s Strengths

Fortunately, Connecticut has several advantages that will help companies here adjust to the new reality of smaller federal defense budgets.

“The good news is that the defense businesses in Connecticut are some of the most competitive in the nation and the world,” said DeFrank. “We have to be. It’s the only way you can continue to operate profitably in such a high-cost environment. And we have that critical mass that fosters innovation here. High-tech manufacturing companies, world-class educational institutions, and a highly skilled, highly trained workforce.”

In addition, Connecticut is not likely to see cuts as deep as in other defense-heavy states. “I expect that over the next five or 10 years, we’re going to see about a 10% cut in defense contracting in the state,” said Ross. “That sounds like bad news, but relative to other states, it’s good news.”

Other states in the top ten for defense manufacturing will see closer to a 20% reduction, and Florida and Pennsylvania are looking at 30% to 35% cuts in defense contracting.

Why is Connecticut so lucky, comparatively speaking? “The reason is that we’re building the right things at the right time in history,” said Ross, noting that the Pentagon’s national defense strategy calls for the very things that Connecticut manufactures—jet engines, helicopters, attack submarines, and ballistic missile submarines.

“We should feel very good about where we are and what the future looks like relative to everybody else,” said Ross, with one caveat: “unless sequestration is applied.”

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New Leaders at the Legislature

Twenty-three committees have new chairs and/or ranking members

In addition to a new speaker and majority leader in the House, 23 legislative committees have new chairs, ranking members, or both—including the Commerce, Education, Energy, Environment, Finance, and Labor committees.


New Committee Leaders

Each legislative committee has a Senate and House co-chair (almost always representing the majority party) and Senate and House ranking members (almost always representing the minority party).

Here are several key committees that have had leadership changes and the lawmakers new to those positions:

- **Commerce**: Rep. Chris Perone (D-Norwalk), co-chair; Rep. Gail Lavielle (R-Wilton), ranking member
- **Energy & Technology**: Sen. Bob Duff (D-Norwalk) and Rep. Lonnie Reed (D-Branford), co-chairs; Sen. Clark Chapin (R-New Milford), ranking member
- **Education**: Rep. Timothy Ackert (R-Coventry), ranking member
- **Environment**: Rep. Linda Gentile (D-Ansonia), co-chair; Sen. Clark Chapin (R-New Milford) and Rep. John Shaban (R-Redding), ranking members
- **Finance**: Sen. John Fonfara (D-Hartford), co-chair; Sen. Scott Frantz (R-Riverside), ranking member
- **Labor**: Sen. Cathy Osten (D-Sprague) and Rep. Peter Tercyak (D-New Britain), co-chairs; Sen. Joe Markley (R-Plantsville) and Rep. Richard Smith (R-New Fairfield), ranking members

The 2013 General Assembly session runs through June 9. Keep up with all the news about business-critical legislation by following CBIA on Twitter at twitter.com/cbia or visiting our Facebook page at facebook.com/cbiabct. And don't forget to visit gov.cbia.com to have a say in what the state legislature does to shape Connecticut's business climate this year.

Workers’ Comp Commission Ruling Appealed

Ruling blocks employers, hospitals from negotiating in workers’ comp cases

By Laura Cummings

A September 2012 ruling by the state Workers’ Compensation Commission (WCC) prohibiting self-insured employers and workers’ compensation insurers from negotiating with hospitals over services provided to claimants has been appealed to the Workers’ Compensation Review Board (CRB).

The ruling contradicts longstanding practice in Connecticut not only in the workers’ compensation field but also in the general healthcare arena.

The decision, handed down by Commissioner David Schoolcraft, came in response to several cases brought by two hospitals in the WCC’s Second District, which covers most of eastern Connecticut.

Although the employers and insurers involved in the cases appealed Schoolcraft’s decision to the CRB—the appellate body of the WCC—the parties are now in mediation proceedings, which, if successful, will make CRB review unnecessary.

If mediation fails, however, and the CRB upholds the ruling, insurers and self-insured employers would be required to pay the full amount billed by the hospitals in the absence of a prior agreement by the hospital to accept a reduced fee. This will increase medical payouts in workers’ comp cases, which in turn will drive up workers’ comp costs for employers in the state.

In the event the CRB upholds the ruling, the matter may ultimately be appealed to the Connecticut Appellate Court and possibly the Connecticut Supreme Court.
Interns Available for STEM Businesses

Summer opportunities sought at Hartford-area companies

By Lesia Winiarskyj

Greater-Hartford-area businesses involved in science, technology, engineering, or math (STEM) are invited to participate in a summer internship program coordinated by CBIA’s Education Foundation. Now in its fourth year, the program matches students at the Academy of Engineering and Green Technology (AoEGT) with local STEM employers. (AoEGT is one of five National Academy Foundation schools in Hartford, all of which require internships as part of their programming.)

To be eligible, students must be juniors or seniors with good attendance, a positive attitude, strong academics, and training in workplace expectations.

AoEGT Principal Mike Maziarz says internships have had a transformative effect not only on individual students but also on the climate and culture of his school.

Eleventh-grader Kianna Gordon, who worked at A I Engineers, explains, “Internships are important to students in an urban environment because they help us know that there is a world outside of this busy and sometimes negative atmosphere. This past summer helped me flourish as both a scholar and a young woman.”

Gordon plans to major in civil engineering at the University of Connecticut. Her goal, she says, is to design bridges.

Vame Changer

Stephanie Fluker, a senior at AoEGT, says company mentors helped narrow her career interests by allowing her to job-shadow employees.

“I am a very shy person,” she told a group of businesspeople at a recent informational meeting. During her internships, she said, “I saw how everyone did their own job but also collaborated in teams for support and guidance. I remember my first assignment was to introduce myself to everyone on the second floor. That seemed like the hardest task in the world, but I’m glad I did it because if it weren’t for that experience, I wouldn’t be who I am today.”

Fellow senior Efrain Viera, who collected and evaluated ergonomic data at UTC Aerospace Systems last summer, agrees. “Internships can change your character and make you realize that life is all about choices.”

Gregory Blessing, EH&S (environment, health & safety) manager at UTC Aerospace Systems, was Viera’s supervisor. “Efrain enthusiastically worked side by side with senior EH&S professionals,” he says. “He has a very strong work ethic and a positive outlook.”

New Energy

“I didn’t know what to expect the first day,” Viera admits. “I was very nervous. But when I got to know my coworkers, I felt like a full-time employee instead of a student. Honestly, it was a very good feeling, I strongly believe internships are very important to students.”

They can also be a huge advantage for businesses, says Lisa Szewczul, vice president of EH&S at UTC Aerospace Systems. Interns hired by her company and other STEM employers have worked on energy benchmarking, process data entry, value stream mapping, blueprint archiving, developing handbooks and presentations, and compiling data for environmental compliance reports.

Besides getting extra help with their projects, says CBIA’s Dayl Walker, employers benefit from the energy, drive, and creativity interns bring to the workplace. Employers that have participated in or committed to CBIA’s internship program include:

- A I Engineers
- AECom
- Aetna
- AT& T
- Bank of America
- Barnes Group
- CBIA
- City of Hartford
- Community Renewal Team
- Computer Services Corporation
- Connecticut Science Center
- Econ Solar
- Edwards Wilheim
- Freeman Companies
- Fuss & O’Neill
- GBI Consultants
- Hartford Public Library
- Legrand
- MDC
- Milone and MacBroom
- Northeast Utilities
- United Technologies Corp.
- UTC Power
- UTC Aerospace Systems
- Vanasse Hangen Brustlin

To add your name to the list, contact CBIA Education Foundation program manager Dayl Walker at 860.244.1935 or dayl.walker@cbia.com.

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Public-Private Partnerships in Connecticut

What potential private investors, contractors need to know

By William S. Wilson II

The opportunity and need for the private sector to partner with the government in repairing, maintaining, and developing our state’s infrastructure has never been greater. With the passage of the jobs bill in October 2011 (“An Act Promoting Economic Growth and Job Creation in the State”), Connecticut joined many other states in enacting legislation for public-private partnerships.

What Is a Public-Private Partnership?
A public private partnership, or P3, is a relationship between a private entity and a state agency to design, develop, finance, construct, operate, or maintain a state-owned facility. Essentially, the private partner provides funding to build or upgrade a facility and operate and maintain it at an agreed-upon profit margin throughout the term of the agreement at little or no cost to the state. The state continues to own the facility and gets operational control of it at the end of the agreement.

P3 Projects
The P3 law, among other things, authorizes state executive branch agencies, including quasi-public agencies, to enter into P3 agreements with private entities after certain conditions have been satisfied. Up to five P3 projects can be approved through January 1, 2015.

The law contemplates several types of projects, including educational, health, early childcare, transportation systems, and any other project proposed by the legislature. In other states, P3 projects typically have included parking garages, university student housing, ports, stadiums, toll roads, and toll bridges.

Key Provisions in the Law
Some of the provisions of the law governing P3 agreements require a close look by potential investors. For example:

- Each P3 project will be subject to either the state prevailing wage requirements or rates established in a project labor agreement.
- A P3 agreement cannot include non-compete provisions limiting the ability of the state to perform its functions, and it cannot include additional user fees allowed beyond those specified in the P3 contract.

- The state cannot waive sovereign immunity or grant sovereign immunity to a contractor or private entity. This means that the private P3 partner will have to get permission from the State Claims Commissioner to bring any action against the state under the P3 agreement or otherwise.

- The P3 law also subjects agreements to the state’s environmental policy, set-aside laws for small contractors, and state and local permitting and inspection requirements.

- The state has strong remedies if a contractor defaults under a P3 agreement.

P3 agreements extend over a long period of time, up to 50 years under Connecticut’s new law, and must be flexible enough to respond to a changing landscape, including technological advancements. It’s imperative that a P3 agreement clearly define the goals of the project and the roles each party will play to achieve them. Proper collaboration between the public and private entities in a P3 partnership, as well as between the private investor and its team of local professionals—including lawyers, architects, engineers, and construction companies—is essential for the success of any P3 agreement.

Prequalification
Information on potential P3 opportunities should be well-publicized by the state agency proposing the P3 project well before proposals are solicited. The agency will likely establish its own prequalification process, and only those parties prequalified will be able to submit proposals.

Prequalification requires a private proposer to show that it has the financial resources, experience, and capabilities to carry out a P3 project. The proposing agency will use either a competitive bidding or negotiation process similar to the processes that the state has used to handle other state projects. A P3 project should be an opportunity not only for potential investors and developers but also for other service and material providers common to any construction project.

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Market Research Made Easy

Web tool helps small businesses size up competition, find new customers

A new web-based tool from the U.S. Small Business Administration (SBA) helps businesses identify new customers and compare their own performance against that of other businesses in their industry, using data collected from hundreds of private and public sources.

“Market research and analysis is critical for the success of any small business owner or entrepreneur,” says SBA Administrator Karen Mills.

You’ll find the free tool, SizeUp, at sba.gov/sizeup3

SizeUp works by analyzing a business in comparison to similar businesses and provides geographic information on the marketplace, areas recommended for advertising, and prospective customers. It delivers market data directly to business owners to help them make better business decisions based on competitive research analysis.

SizeUp:
- Benchmarks a business by comparing its performance to that of all other competitors in the same industry
- Locates customers and suppliers through a mapping feature
- Finds the best places to advertise by choosing from preset reports (or creating custom demographic reports) to find areas with the highest industry revenue and the most underserved markets

GIS Planning Inc., the company that created SizeUp, has licensed the tool to the SBA for one year.

Connecticut Ranks High for Entrepreneurship

Study also highlights Nutmeg State’s weaknesses

According to the 2012 State Entrepreneurship Index (SEI) from the University of Nebraska-Lincoln (UNL), Connecticut ranks 12th among the 50 states in entrepreneurial activity.

Based on 2011 data, SEI rankings are determined by combining five key components of a state’s level of entrepreneurship:
- Percent growth in employer establishments
- Per capita growth in employer establishments
- Business formation rate (establishment births per person)
- Patents per thousand persons
- Average income per non-farm proprietor

“To reach the top of the rankings, a state had to do very well in at least four of the five categories that make up the index,” says Eric Thompson, associate professor of economics at UNL and director of the university’s Bureau of Business Research. “This year, those states tended to be clustered in the Northeast and the upper Midwest.”

Wood but Not Wreat

Connecticut’s relatively high ranking is a bit misleading, because it reflects very high scores in two categories—patents per thousand persons (9) and proprietor income (3)—but rather dismal scores and a downward trend in three:
- Percent establishment growth—37 (30 in 2010)
- Per capita establishment growth—30 (24 in 2010)
- Business formation rate—38 (37 in 2010)

“It’s encouraging that Connecticut ranked 12th overall,” says CBIA Vice President and Economist Pete Gioia, “But if we address the significant weak points, we could end up number one very easily.”

Key Competitors Score Higher

Five regional competitors were among the 11 states ranking higher than Connecticut for entrepreneurship: Massachusetts (1), North Dakota (2), California (3), New York (4), Minnesota (5), Oregon (6), New Jersey (7), Texas (8), Illinois (9), New Hampshire (10), and Pennsylvania (11).

Netheastern states scoring below Connecticut included Vermont (16), Maryland (17), Rhode Island (19), Delaware (21), and Maine (29).

The five worst states for entrepreneurial activity were Kentucky (46), Mississippi (47), South Carolina (48), Michigan (49), and Louisiana (50).
What Are Young People Looking for in a Job?

Survey sheds light on preferences of new college grads

What matters most to job-seeking college grads? According to a recent study by the National Association of Colleges and Employers (NACE), when students are considering a job, their top three concerns are the nature of the work, compensation, and coworkers. When actually weighing a job offer, their focus shifts to opportunities for growth and job security, followed by friendly coworkers.

What benefits are most important? The survey found that annual salary increases are the most preferred benefit among new college graduates, followed by a 401(k) match, tuition reimbursement, and healthcare benefits.

Historically, graduating seniors taking part in NACE’s annual student survey have placed medical insurance in the top spot. NACE Executive Director Marilyn Mackes believes that the most likely explanation for the change are modifications to federal healthcare-related laws resulting from the Affordable Care Act.

“Graduates know that they can now stay on their parents’ coverage until they are 26 years old, making medical benefits somewhat less critical...” she says.

Despite the change in order, the top five benefits have remained largely the same over the past several years.

“The focus is—and has been—on benefits that provide security,” says Mackes. “Salary increases, the 401(k) match, and various insurances provide a financial net, while tuition reimbursement supports the graduate’s ability to acquire new skills and gain or retain value in the job market.”

Use of Social Media

The NACE survey also found that new grads use social media in a variety of ways when conducting a job search. Slightly more than a quarter (26%) say they use it to network, an equal number report using it to research employers, and 19% use it to discuss job openings. Somewhat surprisingly, however, 54.5% say they don’t use social media at all in their job search.

Are Lunch Breaks ‘Old School’?

According to a recent survey by Right Management, fewer than one in five office workers takes an actual lunch break.

Thirty-nine percent of the more than 1,000 North American workers polled say they eat lunch at their desk, but 28% report seldom taking any break whatsoever, and another 14% say they break for lunch only from time to time.

All in all, says Right Management, 81% are not taking what used to be considered a real lunch break.

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We’re All About Growing Your Business

In July, the Connecticut Development Authority, CBIA’s financing affiliate, became part of Connecticut Innovations. The combined organization offers an array of innovative financing ranging from $25,000 to $5 million to assist companies at all stages of the business life cycle.

- Flexible financing tools
- Equity and debt investments
- Innovation and entrepreneurship support
- Tax incentives

For more information, contact CBIA’s Tom Guerra at 860.244.1160 or email Connecticut Innovations at info@ctinnovations.com.
Employers Can Now File H-2A and H-2B Applications Online

New process will increase ease, accessibility, and transparency

The U.S. Department of Labor’s (DOL) Employment and Training Administration now allows employers to electronically submit temporary labor certification applications under the H-2A and H-2B visa programs. The programs permit employers to temporarily hire nonimmigrants to perform agricultural (H-2A) or non-agricultural (H-2B) labor or services in the United States.

U.S. employers or their authorized representatives can submit applications through the DOL’s iCERT Visa Portal System at icert.doleta.gov.

This new electronic filing capacity will:

► Enhance the accessibility and quality of labor certification services
► Reduce the data collection and reporting burden on small employers, making it easier for them to collect the data necessary to meet program reporting requirements
► Facilitate more streamlined business processes
► Establish greater transparency in the DOL’s decisions

Key features include (1) online account management, which will enable employers to manage client membership lists; (2) the ability to prepare, submit, and track H-2A and H-2B applications; and (3) the option to reuse applications from previous seasons, thereby reducing data entry time.

Real-time electronic form validations will warn users of missing data entries, helping them avoid application processing delays, and email notifications will keep users informed throughout the application process.

The paperless submission process will also significantly reduce administrative time and costs by enabling users to upload supporting documents for more efficient storage and retrieval.

Those choosing not to use this new filing option must continue to file their H-2A and H-2B applications using the traditional paper method.

New Jersey Company Fined in H-2B Investigation

A New Jersey ice cream company has agreed to pay $34,000 in back wages to 55 workers and $48,000 in civil penalties after an investigation by the U.S. Department of Labor (DOL) found violations of the H-2B provisions of the Immigration and Nationality Act.

The H-2B guest worker program permits employers to temporarily hire nonimmigrants to perform nonagricultural labor or services in the United States. The company had recruited workers from Eastern Europe, Central and South America, and the Caribbean to drive trucks and sell ice cream throughout the Northeast.

The investigation found that the company:

► Misrepresented the wages to be paid when recruiting U.S. workers
► Placed workers outside the area of intended employment described in the application
► Failed to pay the wage rate indicated in the application
► Failed to notify the DOL and the U.S. Department of Homeland Security when H-2B workers were separated early from their employment

H-2B employment must be of a temporary nature, such as a one-time occurrence or for a seasonal or peak load need. The program requires employers to attest to the DOL that they will offer a wage that equals or exceeds the highest of the prevailing wage, applicable federal minimum wage, state minimum wage, or local minimum wage for the occupation in the area of intended employment during the entire period of the approved
IRS Issues Proposed Regs for Additional Medicare Tax

Comments due March 5

On December 3, 2012, the IRS issued and requested comments on proposed regulations that provide guidance to employers and individuals on the implementation of the increase in Medicare payroll taxes under the Affordable Care Act.

Specifically, the proposed regs govern the withholding, computation, reporting, and payment of the additional Medicare tax on wages, self-employment income, and Railroad Retirement Tax Act compensation.

The proposed regs also establish when and how employers may make an interest-free adjustment to correct an overpayment or an underpayment of the additional Medicare tax and how employers and employees may claim refunds for overpayments of the tax.

Comments on the proposed regs are due by March 5 and can be submitted to the IRS electronically (REG-130074-11) at regulations.gov. To read the proposed regs, go to 1.usa.gov/UBHDGp.

Background and Compliance Timetable

The Affordable Care Act increased the employee portion of the Medicare payroll tax by an additional 0.9% as of Jan. 1, 2013. The tax applies only to wages in excess of the following threshold amounts, which are based on the tax filing status of the employee:
- Married filing jointly, $250,000
- Married filing separately, $125,000
- Single, $200,000

New Jersey Company Fined

Continued from Page 12

certification. Employers who hire foreign workers under the H-2B program must demonstrate they have taken certain steps to recruit U.S. workers and will pay the foreign workers wages that do not have an adverse effect on wage rates for U.S. workers.

The investigation in this case revealed that H-2B workers were paid commissions not disclosed to potential U.S. workers during the recruitment period, which is likely to have discouraged them from applying for the positions.

Noteworthy Compensation Facts

Latest Consumer Price Index

Figures denote percentage change from 12 months ago in the Consumer Price Index, a statistical measure of the price of consumer goods/services purchased by households.

- U.S.: All Urban Consumers (November 2012) 1.8%
- U.S.: Urban Wage Earners & Clerical Workers (November 2012) 1.7%
- Northeast: All Urban Consumers (November 2012) 1.8%
- Northeast: Urban Wage Earners & Clerical Workers (November 2012) 1.8%

Source: U.S. Department of Labor, Bureau of Labor Statistics

Connecticut Average Weekly Manufacturing Earnings

(November 2012)

$939.62

Source: Connecticut Department of Labor
Valentine’s Day Dilemma

By Mark Soycher and Lynn Atkinson

CBIA human resources experts

We’ve been fairly successful in our past efforts to curtail employee exchanges of Valentine’s Day greetings, citing such activity as frivolous and distracting at a minimum and, at worst, cultivating a dangerous potential for harassment complaints resulting from unwelcome or offensive communications. This year our resident “jailhouse lawyer” has asserted that because Saint Valentine’s Day has a religious basis, the company prohibition constitutes an impermissible restriction on employees’ religious observance.

I suggest you thank this employee with a warm smile and a firm “nice try.” Be careful, however, to avoid an overly harsh response, since the employee’s inquiry into the possibility of engaging in religious observance could be construed, in and of itself, as a form of protected activity. The last thing you want is to be accused of illegal retaliation.

As to the substance of the employee’s request, while there may be some historical basis to the assertion that the contemporary Valentine’s Day has a genesis as a liturgical celebration of one or more early Christian saints named Valentinus, it has for some centuries now been firmly established as a secular day associated with romance and the exchange of flowers, sweets, and greeting cards.

Nonetheless, keep in mind that both federal and state laws clearly protect employees against religious discrimination and require employers to reasonably accommodate employees’ religious beliefs or practices. The law protects not only people who belong to traditional organized religions, such as Buddhism, Christianity, Hinduism, Islam, and Judaism, but also others who have “sincerely held religious, ethical, or moral beliefs.”

In addition, various court cases have broadly defined religion to include any sincere and meaningful belief that occupies in the life of its possessor a place parallel to that filled by God and includes atheism and agnosticism.

In your case, however, the activity that the employee is seeking to cast as protected religious observance has no relation to any such core feelings of faith connected to guiding principles for how one lives one’s life. Filling colleagues’ inboxes, real or virtual, with sweets or sweet nothings can be disruptive, introduce dangerous malware to your computer network, and run counter to your wellness efforts.

If this advice seems too rigid and you succumb to the social pressure to allow Valentine’s Day activities at your workplace on February 14, make sure your employees know where to draw the line. The exchange of suggestive messages or gifts could expose your company to charges of harassment or allowing a hostile work environment.

When it comes to Valentine’s Day cards or e-cards, advise employees not to send any message that would cause them—or the recipient—any embarrassment if it were read by the entire company.

In addition, you might want to check out a webinar we presented last month, Managing Workplace Romance. You’ll find it at cbia.com/webcast-seminar.htm.

It’s that time of year again. Remind us—what safety records do we have to post and for how long?

The Occupational Safety and Health Administration (OSHA) requires employers to post the OSHA 300A summary of the total number of work-related injuries and illnesses that occurred during the previous year. Only the 300A summary—not the OSHA 300 log—must be posted from February 1 to April 30.

The form should be posted in a common area where other employee notices are usually displayed. A copy of the summary must also be made available to workers who move from work-site to work-site or who do not report to any fixed work-site on a regular basis.

The summary must include the total number of job-related injuries and illnesses that occurred in 2012 and were logged on the OSHA 300. To assist in calculating incidence rates, information about the annual average number of employees and total hours worked during the calendar year is also required. If a company recorded no injuries or illnesses in 2012, the employer must enter zero on the total line. A company executive must then sign and certify the form.

Employers with 10 or fewer employees, and employers in the retail, services, financial, insurance, and real estate sectors are normally exempt from OSHA recordkeeping and posting requirements. A complete list of exempt industries can be found at 1.usa.gov/K7nDSb.
Have You Renewed Your CBIA Membership Yet?

Why did you become a member of CBIA? Maybe you joined to support our advocacy efforts at the State Capitol, or perhaps you were looking for a choice of affordable healthcare plans for your employees, and your insurance agent recommended CBIA Health Connections.

No matter why you joined, we’re glad you did, and we want to make sure you don’t miss out on all the great CBIA members-only benefits. Here are just a few reasons not to let your CBIA membership lapse:

▶ Our government affairs team is committed to representing your interests before state government and fighting to keep Connecticut and your business competitive.

▶ As a small-business member, you can meet all your group coverage needs and achieve substantial savings for your employees with our group health insurance products, wellness program, retirement plans, workers’ comp insurance, home and auto insurance, and eyewear savings program.

▶ You can call our team of professionals and economic experts for free advice anytime you have a question or problem regarding personnel, employment law, taxes, or just about any business issue.

▶ Our economic and public policy surveys and conferences provide data and analysis you can use to make better-informed business decisions.

▶ Valuable CBIA products like our Employee Handbook Software and Poster Compliance Kit are available to members at special discounted prices.

▶ We host or conduct dozens of conferences, workshops, and roundtables every year, all of which you can attend at special member prices or, often, for free.

▶ CBIA’s purchasing experts help our members realize substantial savings on everything from office supplies to electricity and natural gas.

We urge you to not only renew your membership but also become a politically engaged member who will help us educate our legislators about policies that promote business growth and investment as well as those that make it more difficult for companies to succeed and create jobs here.

Throughout the 2013 General Assembly session, we’ll update you via email and our government affairs website, gouvcbia.com, about critical business legislation and provide you with opportunities to communicate with lawmakers on behalf of Connecticut’s business community.

If you have questions about your membership or dues, contact CBIA’s Joe Dias at 860.244.1118 or joe.dias@cbia.com.

CALENDAR

For the most current information, visit cbia.com/events, contact Lise Cliche at 860.244.1977, or email registrar@cbia.com.

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<tr>
<th>FEBRUARY</th>
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<tr>
<td>5</td>
<td>Family Business Program Regional Meeting, 8–10 am, Hilton Garden Inn—Mystic, free</td>
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<tr>
<td>6</td>
<td>Webinar: How to Get the Financing Your Business Needs, 10–11 am, free</td>
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<td>7</td>
<td>CBIA’s Health &amp; Safety Roundtable: Election 2012—What It Means for Safety, 8:30–11 am, CBIA—Hartford, $45 (nonmembers, $60)</td>
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<td>12</td>
<td>Family Business Program Regional Meeting, 8–10 am, Trumbull Marriott—Trumbull, free</td>
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<tr>
<td>14</td>
<td>Employment Law Essentials for Managers and Supervisors, 8:30 am–3:00 pm, CBIA—Hartford, $99 (nonmembers, $150)</td>
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<tr>
<td>15</td>
<td>The Economy &amp; Government Fiscal Policy for the HR Professional, 8:30–10:30 am, The Baci Grill—Cromwell, $25 (nonmembers, OH T)</td>
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<td>15</td>
<td>CBIA’s Environmental Policies Council meeting, 8:30–11 am, CBIA—Hartford, free (EPC members only)</td>
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<tr>
<td>19</td>
<td>Family Business Program Regional Meeting, 8–10 am, Crowne Plaza—Cromwell, free</td>
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<tr>
<td>20</td>
<td>Webinar: Communicating Benefits to Your Employees, 11 am–noon, $15 (nonmembers, $25)</td>
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Help your employees save money on all their eyewear needs

The CBIA Eyewear Savings Plan is a discount plan where employees can purchase prescription eyewear at significantly reduced prices. It’s an exceptional value at only $12 per employee, per plan year (including dependents).

The plan is offered through EyeMed Vision Care, a nationally recognized, managed vision care provider. This means you have access to private eyewear retailers and major chains such as Sears Optical, Pearl Vision Center, LensCrafters, and Target Optical.

Enroll today! Contact Liann Pelletier at 860.244.1963 or liann.pelletier@cbia.com.

Here’s what the plan provides:

► Savings of up to 40% on eyeglasses, 15% on conventional contact lenses, and savings on laser corrective surgery
► No claims or forms—payment is made directly to the provider
► Unlimited styles; unlimited purchases
► Hundreds of participating providers in Connecticut and thousands of providers throughout the United States