

**TESTIMONY OF
PETER M. GIOIA
VICE PRESIDENT & ECONOMIST
CONNECTICUT BUSINESS AND INDUSTRY ASSOCIATION
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COMMISSION ON ENHANCING AGENCY OUTCOMES
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Good day. My name is Peter M. Gioia. I am the economist for the Connecticut Business and Industry Association (CBIA). CBIA represents about 10,000 firms, which employ approximately 700,000 women and men in Connecticut. Our membership includes firms of all sizes and types, the vast majority of which are small businesses with fewer than 50 people.

CBIA wishes to comment upon issues to improve agency and/or program efficiency and effectiveness regarding the state budget that are before the committee. In addition, CBIA will comment upon areas discussed in your preliminary report.

CBIA supports the purposes of the commission and wishes you every success in your endeavors. Certainly, the task before the state is huge and complex but it is imperative that the state act now to address the crisis. Not only do we face budget shortfalls in the hundreds of millions over the biennium, OFA forecasts problems in the billions starting 2012. In addition OFA states we have over \$58 billion in unfunded liabilities. This has placed a future burden over \$16,000 on every citizen in the state.

Connecticut's ability to manage its state budget will continue to have a direct effect on our economy. The more effective and efficient that government is, the better our business climate will be. In addition, Connecticut will be better able to compete with other states to grow and retain existing businesses as well as bring new companies into our state.

The commission's preliminary report briefly touches upon three critical areas of the budget that we can begin to address NOW, but which will have long term and recurring cost avoidance as they are more comprehensively implemented going forward. They deal with large, core sections of state spending: Medicaid long-term care, community services in social services and corrections. For if the committee is really going to have an impact it is huge budget items like these, not minor corrections through things like purchasing, that will have real impact on the budget crisis.

CBIA proposes these reforms:

- Expand the use of nonprofit agencies that can provide high-quality community services at a lower cost than the state.

The state provides quality services for many of its clients. It is startling, however, how much more expensive state-run programs are, compared with the same or similar services provided by nonprofit organizations. Here are some examples, according to the latest data (2007) from the state Department of Developmental Services (DDS):

A. Community living arrangements for disabled people

Annual rates, per client

	Nonprofit Providers	State programs
Average	\$87,221	\$238,624
Low	\$43,800	\$190,924

Median	\$99,278	\$240,228
High	\$158,775	\$250,193

B. Day programs

Annual rates, per client

	Nonprofit providers	State employee provider
Average	\$20,052	\$85,298

As can be seen, average rates for community living arrangement are 2.7 times higher when provided by state employees vs. nonprofit provider services; worse, rates for day programs are 4.2 times more expensive when the state provides the services.

It's important to note that these nonprofit programs are vigorously monitored by the state agencies that have hired them. Nonprofit agencies would not be providing services under contract to the state if their quality was unacceptable.

Connecticut also continues to maintain institutional services at four regional facilities at very high rates--even though clients with similar disabilities and needs, who were deinstitutionalized years ago at the Mansfield Training School, are now being served at community-based programs.

Here is annual per-client costs, based on fiscal year 2009 annual interim rates are:

Nonprofit average:	\$87,221
Southbury Training School	\$347,480
West Regional Center	\$266,450
North Regional Center	\$268,275
South Regional Center	\$386,900

Again, these programs are costing far more than those being provided by community-based services.

Certainly, any kind of change with such vulnerable clients would need careful planning to make sure people's needs are met. However, these cost discrepancies are so clear and Connecticut's fiscal crisis so enormous that continuing to do business as usual is just fiscally unsound. The state should immediately investigate options to provide quality, lower-cost services.

Promote the use of long-term, in-home health care (versus nursing homes) for our older citizens.

The current estimate of home care per diem per client is \$57 vs. \$193 in a nursing home and \$2,000 in a hospital. Nearly 900 clients now in nursing homes want to go into home care under the "money follows the person" effort and languish on a waiting list. The state squanders \$50,000 per year per client by not having adequate home care options and aggressively implementing those alternatives where clients and their families desire home care in lieu of nursing home care.

Cut the rate of prison recidivism in Connecticut by using:

-- character-based prison models –such as those successfully developed in Florida and seeing only 7% recidivism rates 36 months out for released ex offenders.

-- alternatives to incarceration for nonviolent offenders –by expanding the state's current operations whenever possible in lieu of prison for non violent offenders.

-- effective services for treatment, job training and reintroduction into Communities for offenders in alternative programs as well as those soon to be released into the community.

Develop incentives and programs to help people reduce their dependence on state services.

The state provides a vast array of services to many clients through numerous programs at multiple agencies. Many legislators have admitted that they do not have any idea which ones work and how well. Not only do these programs need a review under Results Based Accountability (RBA), but where possible incentives and training need to be provided so clients learn to rely on themselves and not on continued use of state services.

CBIA believes all the recommendations in your preliminary plan show potential, but many will not likely save significant dollars though they may improve service. While they should

be pursued the main effort needs to go to ideas previously cited as well as the following areas of your preliminary plan that have particular merit:

- Point #1 Reviewing Human Services provision
- Points #2 and 8 Consolidating data centers and improving communication –if the state is going to get more efficient people and programs need quality communication
- Point #6 Streamlining certain business permits. This will not save money but could SIGNIFICANTLY enhance revenues. An example would be really streamlining DEP permitting for new development. This could A. create faster development and more state/local revenue, B. get people more work in less time, and C. encourage new investment in a “fast-track” permit state.
- Points # 10-13 Improve purchasing
- Point # 15 Using Lean in all agencies starting with the biggest, such as DOT
- Point #17 as we have discussed above for corrections and #18 and #33
- Point #19-20 Managed competition will improve quality and lower costs over time
- Point # 22 should be done immediately
- Point # 25 and #32 as well as what we have discussed above concerning Medicaid and long term care.

While controlling state spending is a substantial and difficult task, we hope the committee and the General Assembly will make the necessary difficult decisions that will provide an improved fiscal climate for our state while fully protecting our fragile economy. CBIA trusts that the General Assembly will see to it that the budget is used as a tool to help create future economic growth that will lead to higher personal income and ensuring greater budget flexibility in future years. Thank you for the opportunity to present this testimony.