

House Republican Press Release

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With Recession Imminent, General Assembly Must Act to make CT More Business Friendly



As evidence that the country is moving into a recession mounts, it is becoming clearer every day that Connecticut is being affected by the downturn as well.

When housing markets turn sluggish and prices for single family homes fall significantly, it is usually a reliable early warning that a recession is on the way.

Earlier this month, the Boston-based Warren Group, a provider of real estate and financial information, and the publisher of The Commercial Record, confirmed just such a trend is underway in Connecticut.

The Warren Group reported the median price of a single-family home fell 5.3 percent, from an average of \$282,000 in January 2007 to \$267,000 in January 2008. It was the largest percentage decrease since April 1995, when the median price declined by 7.9 percent.

In addition, the Warren Group reported, single-family home sales dropped 28.6 percent, from 2,302 in January 2007 to 1,644 in January 2008. The decline was the largest in a single month since July 1989, when sales dropped nearly 40 percent from July 1988.

The U.S. Commerce Department also reported March 13th that retail sales fell by 0.6 percent in February. The decline was worse than the 0.2 percent increase that analysts had been expecting and another sign that the country is falling into a recession.

The Warren Group's report on declining housing sales and values in Connecticut strongly suggests that our state is in the early stages of an economic downturn that likely will be aggravated by the drop in retail sales nationwide.

Complicating our ability to emerge from a recession earlier than other states is the fact that Connecticut has a well-documented reputation as a state that is unfriendly to business.

In its 12th annual Legislative Quotient article (December 17, 2007), Expansion Management magazine gave Connecticut's state legislature a rating of 50, the lowest possible ranking of the country's 50 state legislatures. The magazine's Legislative Quotient examines the effect each of the 50 state legislatures have on local business climates.

In a 2006 article in Entrepreneur magazine on the best states in which to do business, Connecticut came in 48th (third from last) out of 50.

In other rankings, the Tax Foundation rated Connecticut 37th out of 50 in its State Business Tax Climate Index; and the American Legislative Exchange Council's Economic Outlook Rank and State Competitiveness Ratings, ranked Connecticut 39th of the 50 states.

The National Taxpayers Union rates Connecticut as the state with the highest combined federal, state, and local per capita tax burden in the country. The N. T. U. also ranks Connecticut as the state with the 8th highest combined state and local tax burden.

The Milliken Institute rates Connecticut as the 5th costliest state in the country to do business.

On the plus side, Connecticut still has a relatively strong economy, a low unemployment rate and is expected to enjoy a small surplus this year – in contrast to 26 other states that are in deficit situations.

However, we still have a long way to go before we can compete on an even playing field with states in the south and southwest that keep business taxes affordable and reject excessive regulation that decreases efficiency and artificially inflates operating costs for employers.

During the 2007 legislative session, House Republican legislators offered a 'no tax increase budget' that was instrumental in preventing two proposed tax increase proposals from being passed.

With a recession almost upon us, it is even more essential to prevent increases in corporate and other business taxes, and hikes in the state income tax. Instead of adding more regulatory red tape, we need to streamline the permitting process to make it easier and less expensive for companies to move to Connecticut and for existing companies to expand their operations here.

We need to make government agencies more efficient and responsive to citizens and employers alike.

If we need inspiration, we need look no further than New Hampshire. It lacks many of the advantages we have in Connecticut, but continues to attract new employers, create jobs, and enable its citizens to prosper while other New England states stagnate.