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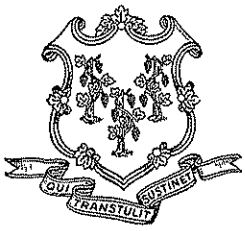

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State of Connecticut
SENATOR DONALD E. WILLIAMS, JR.
Twenty-ninth District
President Pro Tempore

Testimony of Senator Donald E. Williams, Jr.
Senate President Pro Tempore

On

Senate Bill 1: AAC THE PRESERVATION AND CREATION OF JOBS IN CONNECTICUT
Finance, Revenue and Bonding Committee
March 1, 2010

Senator Daily, Representative Staples, Senator Roraback, Representative Candelora and Members of the Committee:

Thank you for the opportunity to testify today in strong support of SB 1, AAC The Preservation And Creation Of Jobs In Connecticut. As we all are well aware, Connecticut, like the other states, has suffered mightily in the current economic downturn. According to the Center on Budget and Policy Priorities, this is "[t]he worst recession since the 1930s [and] has caused the steepest decline in state tax receipts on record." Not surprisingly, "[n]ew shortfalls have opened up in the budgets of at least 41 states for the current fiscal year [2010]."

Our revenues have fallen by close to $3 billion since fiscal year 2008, including a drop of $350 million for FY 10 that was projected only after we adopted the budget for this fiscal year. Connecticut is facing its most severe job loss in recent memory: 95,000 people have lost their jobs since the recession began in 2008. Although our unemployment rate remains slightly better than the national average, it is still a staggering 8.9%.

This session, as we struggle to find the necessary cuts to bring our budget into balance, we must also look to the future and take steps to jumpstart our economy by retaining existing jobs and creating new ones. Many bills to accomplish these goals are being heard by our legislative committees. While I am here today in support of the job creation proposals contained in SB 1, I look forward to working with you and the other committees to advance other ideas as well.

SB 1 focuses on small businesses because they are consistently recognized as the engines of our economy and the loci of job creation. This bill seeks to encourage and support small businesses in two ways:

First, with respect to the very small "Mom and Pop" shops, the bill would suspend the $250 business entity tax for two years. Small "Mom and Pops" are defined as businesses with at least one employee and net income under $50,000; clearly, their gross income could be substantially more.

While $250 is not a significant burden for most businesses, we have heard from these small "Mom and Pops" that relief from this tax would be of help to them; every penny is precious to these very small businesses now. We estimate that this proposal would benefit at least 46,000 small businesses and save them, collectively, approximately $12M. Additionally, I would suggest that the $50,000 threshold be raised should revenues from the TARP bonuses, which are another part of this proposal, be sufficient to cover the additional cost.

The second small business support in the bill is a mechanism to provide credit to small businesses - those with fewer than 50 employees. These small businesses are struggling in this economy, in large part because they do not have access to credit. In order to assist these businesses in accessing credit, SB1 envisions the creation of a new loan fund of up to $20M. Governor Rell has also proposed a loan fund for small and medium businesses, and I look forward to working with her on this and other job creation proposals. Like Governor Rell, we will propose cancelling bond authorizations in an amount at least equal to any new bonding.

Importantly, in this tough economic climate we must be mindful of how we pay for any new proposal. SB 1 includes two sources of funding. First, the bill proposes a temporary, enhanced tax rate of 8.97% to be imposed on bonuses of $1M or more paid to employees of entities that received Troubled Assets Relief Program (TARP) funds. This temporary rate is 2.97% above the current top Connecticut income tax rate of 6.5% on income over $1M; it is equivalent to the top NY state income tax rate of 8.97%; and it is lower than both the top New York City and State combined rate (12.6%) and the top New Jersey rate (10.75%). The temporary rate will apply to bonuses paid in 2010 or 2011 or awarded in connection with work performed in either of those years.

TARP-supported bonuses are an appropriate source of funding for small business assistance because they were made possible by the billions of taxpayer dollars that shored up – and in many cases saved - their employers. The Attorney General for the State of New York, Andrew Cuomo, investigated bonuses in 2008 and concluded that when "banks did well, their employees were paid well. When the banks did poorly, their employees were paid well." For example, Citigroup and Merrill Lynch together "lost $54 billion, paid out nearly $9 billion in bonuses and then received TARP bailouts totaling

$55 billion." Even with these types of massive taxpayer rescues, credit is still being withheld from small businesses that require help.

The second source of funding for the small business initiatives is bonding in an amount not to exceed $20M. As noted above, this bonding would be in lieu of cancelled outstanding bond authorizations.

Losing a job is one of the most traumatic life experiences a person can face. It creates stress about not meeting one's obligations and about the inability to provide for one's family, as well as uneasiness about one's uncertain financial future. The New York Times reported last week that losing a job can have "profound health consequences" as well, including heart attack, stroke, diabetes and arthritis.

It behooves us as members of the Connecticut General Assembly to make job retention and job creation a top priority this session and to work together to help the State of Connecticut and its residents come out of this economic recession ready and able to move ahead.

Thank you for your time.