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COVID-19 Relief and Recovery Plan for Connecticut

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We all look forward to the time when the health threats related to COVID-19 have passed, but the potential and certain economic effects of the virus pose a significant risk to the people of Connecticut. The time to plan for how to address these effects is now.

To get on the path to restored economic strength, Connecticut lawmakers should take an approach that will:

- Help employers so they can maintain jobs and rehire employees;
- Help workers who have been sidelined by government actions; and,
- Cut regulations and taxes in order to encourage the ingenuity of the people of Connecticut, who will ultimately do the hard work necessary to rebuild the state's economy.

To that end, Yankee Institute is offering the following ideas to help put the state on the road to economic recovery.



1 Mitigate fallout now

While the state is still in a daunting health crisis, there are steps that can be taken now to ease the eventual reopening of the state's economy. It is also imperative the state continue to adapt in order to provide students the best possible education under the current circumstances.

- ***Freelance or self-employed individuals could be granted a tax deferral*** in order to free up cash flow. The U.S. Treasury is already offering this to individuals and small businesses affected by the virus, without interest or penalty.
- ***Temporarily increase the Earned Income Tax Credit for working families.*** The Earned Income Tax Credit is one of the most efficient ways to support low-income working families who may find themselves facing financial hardships in the wake of decreased economic activity and business closures. An increase could potentially be done by the Department of Revenue Services retroactively for those who have already filed their taxes. Secondly, the increased EITC could be extended into 2021, as many families likely will face continued hardship into next year, even if the current wave of COVID-19 passes.
- ***Possible one-year suspension of the minimum wage increase.*** It is unknown how long the state and the country will be affected by the COVID-19 virus, but the economic fallout will likely last longer than the virus itself and will impact industries and businesses employing workers at or near the minimum wage, such as restaurants, stores, child care facilities and retail businesses. Connecticut's minimum wage law mandates another increase in September from \$11 per hour to \$12 per hour. The governor should consider a one-year moratorium on this increase so those businesses able to survive the downturn can recover and avoid having to lay off any more employees. We are not, at this time, advocating for a repeal of the law, but rather a temporary hold on the scheduled increase to allow businesses – particularly the restaurant industry – to recover and maintain higher levels of employment.
- ***Rapidly implement distance learning for school children.*** It is essential that Connecticut's next generation not miss out on their education during this unprecedented time. While some school districts are working on,

or have implemented, distance learning, others have not or face hurdles to implementation because of lack of resources or collective bargaining and employment restrictions. This is not a time to quibble over contract language. We encourage the governor, school superintendents and teacher union leaders to come together and waive any restrictions toward implementation so school districts can move ahead as quickly as possible. In addition, the state should develop guidelines for public school districts to share information including:

- Plans for implementing remote learning.
- Procedures and metrics for evaluating teacher effectiveness and student progress via remote learning.
- Resources and contingencies to help students who may lack necessary devices or internet connectivity to participate in remote learning.
- Guidelines and best practices from around the country, such as the plan developed by Success Academy Charter Schools in New York.
- Innovations such as Google's Rolling Study Halls program to help students without internet access connect to the classroom.
- ***Unoccupied state buildings:*** There are unoccupied state government buildings. The state should appropriate these to serve as provisional health care facilities.



2

Lessons learned during the COVID-19 crisis should inform regulatory, education and spending reform

The COVID-19 crisis has brought attention to laws and regulations that prevent the state, hospitals and businesses from responding to crisis situations when it is necessary for those institutions to be nimble. Many of the laws and regulations suspended during this crisis should be permanently eliminated. This will help the state in case of future crises and will also allow industries that were hit hard by the crisis – including the health care industry – to adapt and recover. If it is necessary to waive certain laws and regulations in times of crisis to enable efficient response to public needs, then it is clear those laws and regulations were unnecessary to begin with and present barriers to serving the people of Connecticut.

- **Free speech in medicine:** Connecticut passed a right-to-try law in 2016 that allows patients suffering from terminal illnesses to obtain drugs and medical devices which have successfully completed a Phase 1 clinical trial but have not yet been approved for general use by the Food and Drug Administration. A uniform system was created by the federal government with the passing of the Right to Try Act in 2018. Connecticut should continue to support similar initiatives and pass a free speech in medicine law similar to Arizona’s Free Speech in Medicine Act, which protects the dissemination of truthful, scientific information about off-label uses of FDA-approved drugs that may be used for treating ailments other than those originally intended. This ensures physicians are fully informed about the range of potential treatments for their patients.
- **Certificate of need (CON):** Gov. Ned Lamont has provided avenues for certain medical facilities to bypass certificate of need requirements in Connecticut during the COVID-19 crisis. Lamont also allowed the Office of Health Strategy to waive the CON requirement to “increase access to critical health care services for the management of the COVID-19 public health emergency.” Connecticut’s CON regulations don’t let hospitals make basic decisions about how to run their own affairs. If a hospital wants to make changes such as adding beds, or buying a CT scanner, or opening an obstetrics unit, it must first get a permission slip from the state. Twelve

states, including New Hampshire and California, eliminated their CON laws after Congress repealed the CON mandate in 1987. Connecticut should permanently eliminate these unnecessary regulations.

- **Occupational licensing:** Workers do not lose their job skills by crossing state lines, but our existing licensing laws often treat them as if they do. Lamont has eased some occupational licensing requirements for medical professionals during the public health crisis, and these changes should be passed into permanent law. Other states have gone much farther. California, Florida, New York and Massachusetts have allowed outside medical practitioners to practice in their state or receive expedited licenses in as little as one day. Connecticut should follow the lead of states such as Arizona and adopt similar laws for all occupations indefinitely. Connecticut must make it easier for someone who is licensed in another state to move here and work here. Making Connecticut a more welcoming place to small businesses, military families, medical professionals and entrepreneurs is more important now than ever.
- **Telemedicine:** Connecticut law already permits the practice of telehealth, but Lamont has expanded telehealth access through executive order. Connecticut should maintain these expanded telehealth measures following the public health crisis and reform existing parity laws that restrict access and use of telehealth services. According to Connecticut law, individual and group health insurance policies must pay the same rate for telemedicine visits as in-person visits. This makes no sense and eliminates one of the largest benefits of telemedicine – providing care at a lower cost. This law should be repealed or amended.
- **Online learning:** Connecticut should implement the benefits of online learning into regular school curriculums and develop the appropriate school infrastructure to support innovation in online learning.
- **Scope-of-practice reform:** Scope-of-practice laws govern the activities medical providers may engage in when caring for patients. Scope-of-practice reform can increase the number of providers and facilities available to the public by allowing medical professionals to practice more broadly. Lamont has already made some scope-of-practice reforms by allowing pharmacists to make and sell hand sanitizer. Other states are allowing pharmacists to perform basic flu tests, but changes to Connecticut's scope-of-practice laws should include more practitioners than just pharmacists. For example, physician's assistants in Connecticut must always be supervised by a physician, but nurse practitioners can have their own practice after three years under physician supervision. Scope-of-practice reform has been proven to save money and increase access to health care without decreasing public safety.
- **Transparent pricing for medical services:** Connecticut should require health care providers to present the price of services to patients before services are administered. This ensures patients are aware of costs in advance, increases transparency, and can lead to more competition and lower prices. Research suggests that when patients have access to pricing, costs go down.
- **Regulatory review commission:** Many regulations were created with the intention of regulating large corporations. However, these regulations fall hardest on small businesses. A regulatory review commission should review cases to exempt our small businesses from some of these rules.

- ***Cut non-essential spending:*** Lamont should call on state agencies to identify a percentage of their 2020 budgets that can be rescinded for the remainder of the current fiscal year and resubmit their 2021 budget requests at a reduced percentage of their 2020 appropriated levels. Exemptions from this reduction should be granted to programs directly involved in COVID-19 response.
- ***Alcohol reform:*** Lamont has allowed restaurants and liquor stores to deliver alcohol during the crisis. This should be made permanent.
- ***Waiving requirements:*** Lamont has waived numerous requirements during this crisis, including requirements for pharmacists to use certain personal protective equipment when working with non-hazardous and sterile compounds; the governor has also waived some child care licensing requirements. Any requirements waived during the COVID-19 pandemic should be eliminated moving forward, as they clearly present an unnecessary burden on small businesses and the public. All existing state requirements should be examined to determine if they are necessary. Those that can be eliminated, should be eliminated.
- ***Tangible property tax reform or elimination:*** Connecticut levies property taxes on tangible property that can be moved or touched, such as business equipment, machinery, inventory and furniture. Like a car, tangible property has the same value in every town, although different towns impose varying mill rates on the property, meaning a business would owe significantly more in taxes for the same piece of equipment in Hartford compared to Greenwich, for example. This means business taxes vary depending on the municipality in which the business is located. This can make owning a small business in certain towns and cities very difficult. Connecticut should eliminate this unfair tax, change it to one uniform low rate, or at the very least expand existing exemptions for small businesses. Connecticut already provides some exemptions for certain manufacturing and farming equipment, as well as livestock. Many other states have broad exemptions to their tangible property taxes.
- ***State-level recommendations for municipal changes:*** The state should make recommendations for municipal regulatory reform, such as lifting local restrictions on food trucks, sign regulations and temporary drive-thrus. Local zoning restrictions can be even more onerous than state regulations in some instances.



3

Fixing Connecticut's fiscal problems during and after COVID-19

The time to plan for repairing Connecticut's economy and coming fiscal problems is now. Connecticut's economy was struggling before the crisis, so it will be necessary to take strong actions to get the state back on a positive path. Although the COVID-19 crisis is unique, we are not without guidance: businesses have adapted and innovated during this crisis in order to continue operations or stay afloat during the massive economic downturn. Within a short time, businesses moved to adapt to the COVID-19 environment by developing new protocols, forms of collaboration and business plans. Connecticut's government must likewise adapt, innovate and reform to ensure the state's economy can recover as quickly as possible following the pandemic. The following suggestions will help boost economic recovery as the state gradually reopens. Connecticut must also fix long-standing fiscal problems to ensure taxpayers and businesses are not further burdened by increased taxes in the future.

Sales tax holiday: When businesses reopen, Connecticut should enact a sales tax holiday, similar to the tax-free week used in August for back-to-school sales.

Amazon tax: Suspension of the "Amazon tax" will encourage delivery of goods and food through online markets and further incentivize consumer spending.

Plastic bag tax: Lamont temporarily halted the 10-cent tax on single-use plastic bags. The plastic bag tax should be repealed, as should the plastic bag ban set to start July 1, 2021.

Licensing fees: Eliminate any state or local inspections required before re-opening a business that was temporarily closed because of COVID-19. Eliminate licensing fees for all businesses and occupations for one year.

Collective bargaining and pension reform: Connecticut's unfunded pension liabilities are among the most serious in the country and crowd out other budgetary priorities. Connecticut's budget will be greatly burdened by the economic downturn, closure of businesses and increased costs related to unemployment and Medicaid. Connecti-

cut must be able to decrease its current and future obligations to public sector unions in order to properly assist those most affected by the COVID-19 pandemic. We present the following ideas to decrease the cost of these liabilities and union restrictions on both the state and municipalities. Connecticut must change its relationship with labor to ensure both economic and fiscal recovery from this devastating downturn and pandemic.

- Temporarily suspend collective bargaining laws, as was done in Minnesota, so state lawmakers and department managers can assess how to deliver state services effectively and affordably. The state should also suspend its supersedence statute, which allows union contracts to override state law.
- Any negotiated pay increases for state and municipal employees that were due to go into effect for the 2021 fiscal year should be put on hold until the state and municipalities can adjust their budgets and adapt to a new economic reality.
- All municipalities should put all employee health benefits up for competitive bid.
- The effect of the market downturn on Connecticut's pension systems will likely be significant. The state should use its emergency powers to suspend cost-of-living increases for all existing state or municipal pensions. Further, the state must enact serious reforms to the State Employees Retirement System and Teachers' Retirement System to ensure greater sustainability for teachers, state employees and taxpayers. This should be done by lowering the discount rates to a less-risky rate of 4%; consistently updating mortality tables; placing taxpayer representatives on all pension boards; tying future COLA increases for all retirees to inflation; and introducing shared risk in all state pension plans.
- Retiree health care should also be reexamined at the state and local level. Plans should be restructured so they are stipend based.
- The delivery of state services should be further privatized, including the University of Connecticut Health System, Connecticut Valley Hospital and Whiting Forensic Hospital.
- In order to increase the number of employers who can bid on state projects, the state should stop requiring project labor agreements and should suspend prevailing wage requirements for state and municipal projects. This will increase the number of public projects that can be funded by state and local governments and increase the number of workers on those jobs.
- All union business leave for state and municipal employees must be paid by the unions. Taxpayers should not fund paid time off for public employees who are engaged in union work.

The state should examine its assets and sell those that would be better run by private entities, including the XL Center in Hartford and the Seaside Beach property in Waterford. The money from selling these assets should be put toward the pension debt.

Conclusion

Just as we know the COVID-19 pandemic will eventually end, we know the economic effects of the virus pose a significant risk to the people of Connecticut. The time to plan for how to address these effects is now. Yankee Institute's recommendations in each of these phases of Connecticut's recovery is not exhaustive. This paper is meant to begin conversations that will ultimately help employers so they can maintain jobs and rehire employees, help workers who have been sidelined by government actions, and cut regulations and taxes in order to encourage the ingenuity of the people of Connecticut.

Ultimately, they will do the hard work necessary to rebuild the state's economy.

We are hopeful additional thoughts, ideas, and conversations can be added to the lists as the process to reopen businesses and repair Connecticut's economy begins and we put the state on the road to economic recovery.

