

February 22, 2024

Esteemed Chairs Hartley and Meskers,
Members of the Commerce Committee:

The Western Connecticut Council of Governments (WestCOG) appreciates the opportunity to comment on Raised Bill 1258, *An Act Concerning the Department of Economic and Community Development*. The issues that may drive this study—such as workforce readiness, business climate, and economic resilience—are important and merit examination. However, in the short time since this study was conceived, the landscape has shifted. Rapid and far-reaching federal policy changes are reshaping the fundamental economic conditions in Connecticut in ways that may be even more consequential than traditional economic development issues. These changes are unfolding too quickly for a conventional study process to fully capture and respond to them.

Federal actions in the last month have introduced uncertainties with profound implications for Connecticut's fiscal stability, workforce, and business environment. Based on what has transpired, four critical areas of concern have emerged (to date):

I. DISRUPTION OF FEDERAL FUNDING AND REGULATORY OVERSIGHT

- **Scientific Funding Cuts:** Connecticut is a leader in science and medical research, with institutions that rely on federal funding. Disruption to funding from NIH, NSF, and others jeopardize the state's research sector and economic competitiveness.
- **Funding Freezes and Uncertainty:** Federal programs that fund state-level initiatives—including education, energy, and infrastructure—have been paused, rescinded, or made conditional on compliance with new federal mandates. While some freezes have been temporarily lifted, ongoing uncertainty disrupts planning and operations for critical state programs.
- **Erosion of Regulatory Independence:** The White House's moves to exert control over independent agencies like the Securities and Exchange Commission (SEC) raise concerns about weakened financial oversight. This could increase market volatility and negatively impact Connecticut's financial sector, which depends on a stable regulatory environment.

II. TRADE POLICY SHIFTS AND ECONOMIC IMPLICATIONS

- **Tariff Increases on Key Materials:** Potential tariffs on imported materials may raise costs for Connecticut businesses that rely on global supply chains. Higher costs will reduce competitiveness, slow growth, and could lead to job losses.
- **Deterioration of Trade Relations with Key Allies:** Longstanding trade partners, including Canada, Mexico, and European countries, may diversify away from American-made products in response to shifting foreign policy. This poses risks to Connecticut's defense and manufacturing sectors, which have international contracts.

III. POTENTIAL RISKS TO CONNECTICUT'S DEFENSE INDUSTRY

Connecticut has a significant defense sector, anchored by aerospace and nuclear submarine production. However, policy shifts raise concerns about the long-term viability of these industries:

- **Proposed Pentagon Budget Changes:** The Department of Defense has been directed to make significant cuts or changes to its budget. This reduction could directly impact Connecticut-based defense contractors, including General Dynamics Electric Boat, Pratt & Whitney, and Sikorsky, which are major employers and economic drivers in the state.
- **Reorientation Toward Drone and Cyberwarfare:** As federal defense priorities shift toward autonomous warfare, AI-driven defense, and cyberwarfare, traditional military assets, such as nuclear submarines and large manned aircraft, may see declining investment. This shift puts Connecticut's manufacturing base at risk unless it adapts to evolving defense needs.
- **Declining International Demand for U.S. Defense Exports:** Connecticut's defense sector serves international customers, including Canada, the UK, and European Union nations. The U.S.'s increasingly adversarial stance, along with potential sanctions policies, could reduce demand for U.S. defense exports, harming the state's defense contractors.

IV. CONDITIONAL FEDERAL FUNDING AND SOCIAL POLICY MANDATES

- **Tying Federal Grants to Political Compliance:** New federal directives condition grant eligibility on compliance with immigration enforcement and social policy mandates, such as eliminating diversity, equity, and inclusion (DEI) programs or enforcing new restrictions on transgender athletes in sports. Schools, universities, and municipalities could lose federal funding if they do not comply, creating financial instability for public institutions.
- **Cuts to Social Safety Net Programs:** Potential Federal spending reductions on health care, welfare, and education grants would impact low- and middle-income households in Connecticut, increasing financial burdens on the state to fill the gaps.

V. POLICY RESPONSE: IMPLEMENTING AN ADAPTIVE RESPONSE FRAMEWORK

While we support the bill's intent to study Connecticut's economic development challenges, the scope and urgency of recent federal policy changes demand an adaptable, real-time strategy. Many of the state's traditional economic development concerns remain important, but they must now be examined within the context of rapidly evolving federal policies. These shifts have the potential to reshape Connecticut's economy more significantly than any state-level initiative and do not lend themselves to the slower, retrospective approach of a traditional study. To ensure the state's businesses, workforce, and communities remain resilient in this fast-moving environment, your Committee may wish to consider the following actions:

1. **Establish a Rapid-Response Federal Policy Task Force:** A cross-agency task force composed of government (including the federal delegation), higher education, health care, and key industry stakeholders should be created to track and assess federal policy shifts as they happen and develop immediate state-level responses. This task force should prioritize early detection of risks, swift mitigation strategies, and proactive policy adjustments.

2. Institutionalize legislative action: The General Assembly should create a standing organ focused on tracking and responding to federal economic shifts. This organ should:
 - Monitor federal actions year-round and continue to meet beyond the regular session.
 - Quickly propose and draft responsive legislation to protect Connecticut's economy from negative federal impacts.
 - Engage directly with Connecticut industries, labor organizations, and municipalities to assess and mitigate federal disruptions as they arise.
 - Work with higher institutions to ensure that workforce development programs are adapting to shifts in defense, manufacturing, energy, and healthcare policy.
3. Expand Global Economic Engagement to Counteract Federal Barriers:
 - If federal policies restrict trade or defense partnerships with allies, Connecticut should explore direct state-level engagement with foreign investors, manufacturers, and defense buyers in the Americas, Europe, and Australasia.
 - Connecticut's defense and aerospace sectors should diversify customer bases, ensuring that state-supported economic development strategies help businesses pivot if federal contracts decline.
 - The state should increase diplomatic and trade ties at the subnational level, including through regional economic pacts and participation in global trade conferences.
 - Connecticut should strengthen its participation in the New England Governors and Eastern Canadian Premiers (NEG-ECP) Conference, which provides an existing forum for trade, energy policy, and infrastructure coordination between states and key international partners.

VI. CONCLUSION

Connecticut is confronting a period of significant uncertainty due to rapid federal policy shifts that could undermine economic stability, increase operational costs for businesses, and weaken public services. While evaluating these risks is essential, our response must be as dynamic and proactive as the challenges we face. WestCOG urges the Committee to implement a framework for rapid-response economic policy adaptation that enables Connecticut to navigate and mitigate the impacts of these federal policy changes in real time.

We appreciate your consideration and are ready to collaborate in developing solutions to safeguard Connecticut's economic future. Thank you for your consideration.



Francis R. Pickering
Executive Director