



STATE OF CONNECTICUT
GOVERNOR DANIEL P. MALLOY

Governor Daniel P. Malloy
Fiscal Year 2012-2013 Budget Address
February 16, 2011

Madam President, Mr. Speaker, Mr. President, Senator McKinney, Representative Cafero, distinguished members of the General Assembly, thank you for inviting me back to your house. I'd like to recognize my wife Cathy, who is here today as well.

To those of you watching on TV or online, or listening on the radio, thank you for taking the time to tune in.

Six weeks ago I had the honor of addressing you on the day I was sworn in as Connecticut's 88th Governor.

When I stood before you in January, I talked about crisis and opportunity, of standing at a crossroads of historic proportions, of having to choose our path forward.

I called for innovative thinking and for us to muster up the intellectual, emotional and political courage to take a different path, a better path, on behalf of the people of Connecticut.

I invoked the renowned poet Robert Frost, a fellow New Englander, when he wrote in *The Road Not Taken*:

“Two roads diverged in a wood, and I--
I took the one less traveled by,
And that has made all the difference.”

So today, as I am here to present my budget, I want to take you on a road less traveled, but one that I believe will make all the difference.

Let me start by sharing some thoughts that I hope will make the state budget more real and relevant. Our state's budget can make the difference between hunger and hope for a family on the brink of homelessness; the difference between failure and opportunity for a child taking his or her first steps; the difference between despair and dignity for an aging senior; the difference between peril and security for anyone walking our streets or traveling on our highways.

Everything I've just described can be found in the line items of the budget.

But the sum of those items must have meaning as well. And, unless that meaning is clear, the line items and their sum -- are of no lasting significance.

Ladies and gentlemen, that meaning can be summed up in one word: Jobs.

Without jobs, government's resources will dry up, its programs will become exhausted, and the relief they provide will be temporary, to no lasting effect.

Jobs, ladies and gentlemen, represent the light at the end of the budget tunnel. That's why job creation drives this budget.

The reorganizations and restructurings we announced last week were done in part to help make state agencies and the people who work in them more responsive to the needs of the business community.

I've asked every member of the Bond Commission and I ask every one of you to be ready to answer one question when you want an item placed on the Bond agenda: how many jobs will this create?

And I am proposing that any surplus we have this year -- currently projected to be \$43 million -- be dedicated to reducing the so-called securitization, which is really just a way to tax us on our electric bills.

These bills are too high already, and I will make sure that we reduce that tax as much as possible. This will lower the cost of doing business in Connecticut, and it will provide relief for every homeowner and renter who pays an electric bill.

From this day forth, state government will exist to help create jobs, not just to perpetuate itself.

With job creation on our minds, several principles and philosophies helped guide us toward this day. But the one over-arching concept that we kept in mind is one I call shared sacrifice.

The people of Connecticut are good, decent, hard-working people.

I believe they are willing to make sacrifices, if they understand why they're being asked to do so, and if they believe that Connecticut is serious about fixing what's broken.

Why do I think that?

Because despite the challenges we face, I sense a renewed optimism in the air. I sense that people believe change has arrived. I sense that people are waiting to be led to a better tomorrow.

Two other principles that guided us: fairness and decency.

Those principles are best exemplified by the fact that even though we are asking people at the lower end of the economic spectrum to make some sacrifices, we're also treating them fairly.

How? I am proposing that we enact a robust earned income tax credit of thirty percent.

For a low-income family of four, this credit will mean an additional seventeen hundred dollars a year in their pockets.

For those who won't take a low-wage job in the hopes that something better will come along, this is an incentive to take that job – because you will only get the credit if you're working.

Ladies and gentlemen, this is money for food, for medicine, for oil to heat people's homes. It's money for the basics too many of us take for granted.

It's fair, it's decent, it's good public policy, and it's the right thing to do. Its time has come.

What else can government do?

It can foster a climate in which the private sector can do what it does best: create jobs.

And to do that, state government must get its fiscal house in order.

Right now, we're in pretty tough shape. We're staring down the barrel of a deficit of over 3.2 billion dollars next year and 3 billion dollars in year two.

At 20% of revenue, this places us among the hardest-pressed states. So how do we address this fiscal crisis?

First, we can't spend new money.

That's why, the base spending in the general fund next year is actually lower than our spending this year.

In fact this budget reduces the spending that would have been required to maintain current services by 1.8 billion dollars.

Second, we borrow not one penny for operating expenses.

Too much borrowing over the years for ongoing expenses is one of the reasons we're in the bad shape we're in.

Third, this budget fully funds our pension obligations.

Too many years of deferring too many of our obligations is another reason we're in the shape we're in.

Now let's talk about what this budget does do.

First, and I want everyone to hear this loud and clear: this budget says Connecticut is open for business. And it does so in two significant ways.

To begin with, it makes a substantial, direct investment in job creation.

We are combining our economic development efforts under one agency so we can have a single powerful voice when it comes to attracting, retaining, and growing jobs in Connecticut.

And that voice will have some new things to say, like our new First Five initiative that will offer powerful incentives to the first five companies that bring hundreds of new jobs to Connecticut.

This program takes our best job creation tools, like the Reinvestment Tax Credit, the Manufacturing Assistance Act and the Job Creation Tax Credit, and allows them to be combined and the benefits increased for companies that bring more than 200 new jobs to the state.

And we will hold these First Five to their commitments with mechanisms to ensure that the jobs and investment we support will last.

To these first companies that commit to creating hundreds of new jobs, Connecticut says, "Welcome, let's get to work."

The second thing this budget does is restructure state government by making it leaner, cheaper, and a better partner to the business community.

Through consolidation and outright elimination, we've reduced the number of budgeted state agencies from 82 to 58 -- that's a 30% reduction!

Getting there was not easy, but it was necessary -- and let me illustrate why.

Right now we have seven separate state government entities that deal with energy. That's six too many.

This budget proposes that we have one government entity to develop and administer our energy policy.

We have more than 10 agencies whose job it is to make sure other agencies do their jobs. Isn't that my job? Isn't that your job in the Assembly?

You see, we simply cannot sustain this government in its present form. It's too expensive, and we don't have the money to do it.

And by the way, even if we had the money, we shouldn't do it.

Here's something you need to know about me:

I don't think government should always spend every penny it has just because it has it.

Here's another thing you need to know about me: I'm not one of those people who dislikes government.

In fact, I think government has done great things in the past, and can do great things in the future.

But not in the form we found Connecticut's government in.

To be clear, this budget asks those of us who work in government to share in the sacrifices that need to be made.

Knowing that I would be asking others to sacrifice, I felt I should lead by example.

That's why the Governor's staff has been reduced by 15%.

That's why I eliminated new longevity payments for the people I've asked to serve in my Administration.

I did those things, first, because they're the right things to do, and second, because you can't ask others to make sacrifices if you're not willing to make them yourself.

And this budget proposal does ask state employees to make sacrifices.

I know they've made them in the past, and I appreciate those sacrifices. I appreciate the good and hard work they do every day, and I hope you do as well.

But I need to ask them to do what I'm asking everyone else across the state to do: more.

Because their current wage, health care, and pension benefit levels are simply not sustainable.

To that end, this budget proposes two billion dollars in real savings and concessions from state employees over the next two years.

Some of these savings can be achieved by implementing common sense proposals, such as moving state employees to a health benefits package like the one that covers federal employees.

That change alone could save the state over 100 million dollars over two years.

Another change would involve asking state employees to do what President Obama has asked federal employees to do: accept a wage freeze.

Over two years, that would save us close to 300 million dollars.

Extending 3 furlough days per year over the next two years would save us 80 million dollars.

Adjusting the retirement age would save us close to 300 million dollars.

Other changes, like freezing longevity payments and modestly increasing medical co-pays for unnecessary emergency room visits would save the state millions more.

These are only some of the ways we can get to that 2 billion dollar figure. There are many others.

But let me be clear: we have to get to that number.

My Administration has received some ideas from state employee union leaders which have the potential to save the state some money – and I appreciate those ideas.

But they're not nearly enough. The time has come to take the next step and begin discussions regarding concessions.

I don't make these suggestions to be antagonistic. Just realistic.

The alternative to the two billion dollar figure would require us to completely shred the safety net and lay off thousands of state workers.

Which is to say there's no alternative. We have to get it done. And I'm confident we will get it done.

Now, let's talk about revenue.

The fact that it took me this long into the speech to get to revenue, is a reflection of the process we went through in developing this budget.

First we downsized government. Then we cut spending. Then we identified what we need to ask state employees to do.

Only when those three processes were complete did we begin to look at revenue.

Once we got there we again adhered to a few principles, beginning with shared sacrifice.

Asking virtually everyone to share a slightly higher tax burden is the only way we can ensure that no one group of people bears a much higher burden.

Second, we maintained a competitive advantage over our neighboring states.

So while the sales tax is going up by one quarter of one percent, that still leaves us with a lower sales tax than our neighboring states.

Third, while I do believe in a progressive income tax, I do not believe that we should punish success, or wealth.

That's why taxes will rise on incomes over one million dollars by two-tenths of one percent on top of the increases you passed previously.

And fourth, simply put, is fairness.

To look at the sales tax, for example, and to see how certain items are taxed while others are not is to understand the corrosive influence special interests have had on our state government.

For example, we tax pilates studios, but we don't tax yoga studios. Forgive me, but can anyone tell me why?

Is it because the yoga people have a better lobbyist? It's ridiculous.

We tax people who use valet parking, unless they happen to be parking at the airport. Is there a reasonable explanation for that? If so, I'd love to hear it.

In the end, the revenues we propose to raise are broad-based, they adhere to the principles we've laid out, and in total, they amount to less than the cuts in spending we're proposing.

And so there you have it. That's how I propose we balance our budget.

No new, overall spending. A fundamental restructuring of state government. Real savings from state employees. New revenues.

So far, I've mostly spoken of the challenges we face, and the difficult decisions we need to make to meet those challenges.

Now let's talk about some good news, and let's start with the way the state keeps its books.

This budget begins the process of moving Connecticut state government to generally accepted accounting principles, or GAAP.

For those who are watching or listening and who may not be familiar with that term, it means that we're finally going to require the state to do what it requires all 169 cities and towns to do: be honest and transparent about the way it keeps its books.

There's more good news in the form of some of the investments and down payments this budget makes in some important areas.

It is dismaying to all of us, that Connecticut has the largest achievement gap of any state in the nation.

That so many of our children are falling behind without ever getting the chance to get ahead -- is something we should not tolerate.

That's why, despite the fiscal challenges we face, I refuse to put an additional burden on our cities and towns by reducing funding for local education.

Last year local education was funded with \$270 million dollars in one-time revenue. That money is gone, leaving behind a gaping hole.

We've filled that hole, completely, and we should be proud of it.

But while we're proud of that achievement, we also need to recognize that the ECS formula needs to be overhauled. It's broken, and we all know it.

To that end, I will soon be reaching out to legislative leadership and relevant stakeholders to form a committee to recommend smart steps we can take to overhaul the way we fund local schools.

I'll ask this committee to begin convening at the end of the school year, and to report back to me on October first.

And then I'll seek to take that report and turn it into legislation in the next session. We need to fix this formula once and for all, and we will.

One of the other ways we can close the achievement gap is by giving every child in this state -- irrespective of their family's income -- a chance to have a pre-kindergarten learning experience.

Too many of our children today don't get that chance, meaning they are simply too often not ready to learn when they begin school. Which means they're behind before they even get started.

As Mayor of Stamford, I made pre-kindergarten education a reality for every child in the City; as Governor, I'd like to do the same for every child in the State.

While we don't have the money to do that today, we do have the money to make a down payment on that dream.

And this budget does that, to the tune of 5.7 million dollars over 2 years.

This state investment will leverage approximately 4.1 million dollars from private philanthropic sources, including the Graustein and Annie E. Casey Foundations, as well as the Child Health and Development Institute.

Now let's talk about education reform.

Too often over the years people have been labeled pro-reform or pro-teacher.

I reject that false choice. I'm both – I'm pro-reform, as long as it doesn't mean teacher-bashing, and I'm pro-teacher, as long as it doesn't mean maintaining the status quo.

We can't maintain the status quo, and everyone in this chamber knows it.

That's why I'm proposing reform of the teacher tenure rules to give local school districts the flexibility they need to retain new, talented teachers.

That's why I'm proposing we invest more than two million dollars to start to build the student data and teacher accountability systems we committed to last year.

That's why this budget proposes sixty million additional dollars for magnet schools, to provide for more than 8,000 additional seats, 6.5 million dollars for 747 additional charter school seats, 7.2 million dollars for more than 1,300 new seats in the OPEN Choice program, and 50,000 dollars to fund a Regional Educational Service Center to study ways communities can regionalize transportation services to save local dollars.

I am also proposing that we begin the process of transferring the State Vocational Technical Schools to the local districts and regions that host them.

These schools are a valuable option for families and students in districts across the state, and I want to share the strength of those institutions with those districts.

These are all important investments, and I'm committed to making them happen.

Before we leave the discussion of primary and secondary education, I want to issue a challenge to the teachers, administrators and custodians of this state.

We have done our part in increasing funding for education, but we need all of you to step up to the plate – as some of you already have.

I am asking you not to take this additional two hundred and seventy million dollars in funding for education and use it to demand raises that will surely result in some of your colleagues losing their jobs or having larger classroom sizes.

All that would accomplish is more people out of work and more students per teacher.

And please don't take that as a threat. It's not. It's a respectful request that reflects the reality of our times.

Look, I would not be standing here today as your Governor but for the teachers I was fortunate to have as a young child.

They, along with my mother's love and hard work, helped me overcome some pretty severe learning disabilities.

Teachers do heroic work, and I salute and admire them for it.

But in these difficult times, we need to ask that you too share in the sacrifices we're all making.

No discussion of education would be complete without discussing higher education.

Last week, I proposed a complete overhaul of our State University and community college system – all with an eye toward giving each campus the flexibility it needs to better serve its students.

I'm confident those changes will allow us to focus our resources more directly on the goal at hand: graduating more students and graduating them in two and four years.

Yes, this budget asks our colleges and universities to step up just as the rest of state government must, but we are preserving their independence.

I firmly believe that UCONN and the new Board of Regents will demonstrate the creativity, the intelligence, and the resolve to live within their block grants without raising tuition beyond the inflation rate.

There's more good news in this budget.

As proud as I am that we are fully funding the ECS grant, I'm equally proud of the fact that this budget does not cut overall funding for cities and towns.

In fact, it increases it by nearly \$100 million dollars in the first year, and even more in the second.

My budget also reflects my long-standing commitment to supporting local services through property tax reform.

We accomplish this by providing significant new revenues for cities and towns with a tenth-of-a-percent sales tax on retail sales that will be returned to the town where it is collected. That will raise \$24 million.

I am also including a similar provision for the hotel tax and the tax on car rentals, and expanding the local conveyance tax.

Local governments are facing the same pressures as state government and we need to help them find a way to stability just as we are doing at the state level.

As a former Mayor, I simply refuse to balance the state's budget on the backs of our local taxpayers.

Another challenge we face in this state is transportation.

Coming from Fairfield County, I can assure you there are times I understand "gridlock" to be a four-letter word.

But our transportation problems are surely not limited to the southwestern part of the state; they extend to virtually every corner of Connecticut.

That's why we've committed the funds necessary for 38 new rail cars for Metro North and Shoreline East. And why, unlike in previous budget proposals, we're fully funding our other rail lines, and we're holding the line on new fare increases for bus and rail.

We are also making a fundamental change in the way we account for and fund transportation by making sure that all the taxes we collect -- for gasoline and diesel fuel used in transportation -- are used to meet our transportation needs, with 70% of our gross receipts tax going to support our roads and bridges.

We'll do more next year, but this is a good start.

We can't leave today without discussing public safety.

Let's start by acknowledging that we have the lowest crime rates we've had in Connecticut since the mid-1970s and let's salute the brave men and women who wear the uniform every day who've helped make that happen.

But we all know about the troubling number of incidents involving young people in our cities shooting and killing each other – often, for no reason.

Lives are being lost, families are being ripped apart, and children are growing up fatherless.

It has to stop.

I'm committed to working in partnership with our city police chiefs, mayors, and community activists to turn the tide on neighborhood gun violence.

Despite the reforms of the past decade – we are still spending money we don't need to spend imprisoning people who, if given access to the treatment they need, would pose no threat to any of us.

And who can eventually become productive members of our society.

There are simply too many people who've been arrested and jailed for minor, non-violent or drug offenses who, if given access to an alternative forms of punishment would take advantage of that additional chance to choose a different and better path.

This new policy will save us millions of dollars which is a benefit of a more enlightened policy whose time I think has come.

One final note before we leave this issue. I'm committed to making the concept of the Criminal Justice Information System a reality.

That's why I made sure the eight million dollars you authorized was put on the most recent bond agenda.

Once this system is fully implemented, the various agencies, boards and commissions that comprise the criminal justice system will be better positioned to avoid some of the mistakes and tragedies that have occurred in recent years.

We can protect the people of Connecticut while adhering to the principle that our society should be a second chance society again.

These investments reflect that belief.

Finally, this budget also moves Connecticut forward on the issue of public health.

I'm proposing that we convert our Medicaid programs to a self-insured model, so that we can implement these best practices, and save as much as \$80 million per year.

We've added smoking cessation to the services covered under Medicaid, and we resisted eliminating optional services, like dentistry or eyeglasses, that too many states are embracing in this difficult environment.

And we'll squeeze more federal revenue out of our provider tax for nursing homes and direct that money to the homes themselves so they can continue to provide care to our neediest seniors.

I'm committed to making Connecticut a healthier state, and these investments will help get us there.

Before I leave you today, I want to make two final points.

The first is that I want you to know I am committed to working with anyone and everyone in this chamber in a collaborative process, as long as you share my commitment to passing a budget that adheres to the basic principles I laid out today:

Hold the line on spending, real re-structuring of state government, real savings from state employees, fairness when it comes to raising new revenues, and some important down payments on the future.

If you share those principles, I welcome your partnership in this effort.

The second point is this: I applaud every single one of you for your willingness to serve our communities and our state.

I believe deeply that public service is an honor and a privilege, and I know you do, too.

But we are not here just to serve. We are here because we have a moral obligation to make this state a better place for our having lived and served in it.

Yes, we are facing enormous challenges, but we also have an historic opportunity.

An opportunity to renew people's faith that government, at its best, can still do great things.

We can create a more competitive business climate that will result in job growth and an economic revival.

We can provide a better education for every child in this state.

We can create a 21st century transportation system.

We can and will protect our citizens.

We can provide peace of mind by providing better access to quality, affordable health care.

We can do all of these things, and more, if we have the courage to make the hard decisions we need to make today, and to seize the many opportunities that will shape our future.

It really is like what Harriet Beecher Stowe noted about crisis and opportunity when she said:

“When you get into a tight place and everything goes against you, till it seems as though you could not hang on a minute longer, never give up, for that is the time that the tide will turn.”

I truly believe Connecticut’s best days are ahead. The tide is turning for us if we step up and work hard with courage and conviction. I hope you agree.

We are here for a purpose.

This is our time to do what we were elected to do, to fix what's broken once and for all.

Please, join me in this effort.

Thank you, God bless you, God bless the State of Connecticut, and God bless the United States of America.

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