



STATE OF CONNECTICUT  
**GOVERNOR DANIEL P. MALLOY**

**Governor Daniel P. Malloy**  
**FY 2014 – FY 2015 Biennial Budget Address**

*Hall of the House, State Capitol*  
*February 6, 2013*

Mr. Speaker, Mr. President, Senator McKinney, Representative Cafero, distinguished members of the General Assembly, thank you for inviting me back into the people's House to address you.

I want to recognize and thank my trusted friend and advisor, Connecticut's exceptional Lt. Governor – Nancy Wyman.

I'd like to thank my wife for being here today, and for her love and support.

As always, let us thank and honor the brave men and women of Connecticut serving in our Armed Forces around the globe.

And, let us continue to keep in our hearts the many families, first responders, educators and others that have been touched by the senseless tragedy in Newtown.

Whatever differences we may have in this building over the next several months, they will be trivial compared to what happened in a quiet town in Southwestern Connecticut. We gather today with wounds not yet healed, but also with an unwavering belief in our state and in its future.

TWO YEARS AGO, in the wake of the worst financial crisis since the Great Depression, Connecticut began a journey. The choices we made marked the beginning of a fundamental shift in how we plan for the future, in how we set priorities, and how we approach our problems.

Problems that included a worst-in-the-nation per capita deficit; a budget that relied too heavily on gimmicks and one-time revenues; financial commitments that, if we had failed to act, would fall on the shoulders of our children.

All problems for which we *knew* there were no simple answers. It no longer matters who caused those problems. What matters is that – together – we started to fix them.

In our balanced budget, and in the adjustments we made along the way, we did two fundamental things.

First, we made our budget honest, transparent, and built to address Connecticut's long-term obligations. In other words, we made it responsible.

Second, even as we began living within our means, we invested what resources we *did* have strategically – in the initiatives most likely to create jobs and grow our economy in the years ahead.

We did all that while maintaining our commitment to towns and cities, so that we weren't simply passing the buck or shifting the burden, as too many other states were doing. We did it without shredding our safety net. And, we did it while still finding ways to make historic investments in education.

In short – we got serious about our problems, and we started setting clear priorities.

LET'S CONSIDER WHERE we would be today – what kind of Connecticut we'd be living in – if we had not begun the hard work of change two years ago. If we had allowed Connecticut to continue down that other road, without a plan or clear priorities.

The simple truth is this:

If we had taken that other road, there would be 41,000 more people in Connecticut going without health care right now.

We didn't let that happen. Those 41,000 individuals are covered today because of the work you did, and the choices we made together.

If we had taken that other road, 950 more Connecticut children would be showing up for school this coming September unprepared to learn. That's 950 more kids – in Windsor, in Torrington, in New Britain, and in Norwich – starting out on day one – a step behind their peers, already struggling to catch up.

We didn't let that happen. Those kids are going to be better prepared, thanks to you.

If we had taken that other road, we would have saddled our children with a 4.5 billion dollar pension payment in the year 2032; a payment that simply would not have been possible.

We didn't let that happen. We accepted our responsibility, and we avoided future disaster.

If we had taken that other road, instead of bringing Jackson Labs, or NBC Sports, or Amazon, to Connecticut, we'd be watching them build and grow in other states.

We didn't let that happen. We fought for those jobs in a way that Connecticut never had before, and we're going to bring more jobs in the months and years ahead.

And today? Today, that other road would have left us with a deficit of more than 3 billion dollars.

We didn't let that happen. We're not going to let it happen this year, either.

The budget I'm proposing today keeps us firmly in balance.

Slowly, deliberately, and sometimes painfully, we're building a more sustainable future for Connecticut.

AS WE WORK together to build that future, we know that it takes time for the changes made here in Hartford to be felt throughout the state. After all, our financial house was in rubble, and rebuilding out of rubble takes time.

It's true that today, despite the many good and difficult things we are doing to turn Connecticut around, too many hardworking people still feel left out, or just left behind.

I know many people who are ready to work... but can't find a job;

Who have a job... but the salary that was once enough just doesn't go as far as it used to;

Who saved to buy a home... and now they're worried they might lose it;

Who dream big for their children or grandchildren... but wonder what kind of future those children will have.

They are the people we represent in communities across this great state. People we talk to each and every day: our neighbors, our friends, and our families.

I want to assure you, this state government shares those same worries.

None of us here today are satisfied with an unemployment rate that remains too high; with an economy that remains too sluggish.

Connecticut families have had to buckle down, make tough decisions, pay their bills, make sacrifices and find compromise, and at the same time keep doing whatever they can to invest in their future.

And so must their government.

We still have a long road ahead – a lot of work to do – but finally we have a plan in place and a destination in mind.

THE BUDGET I am proposing today keeps Connecticut moving toward that destination.

It follows the simple principles we agreed on two years ago – passing an honest, balanced budget; living within our means; making government smaller and more responsive; and sticking to our plan for growing Connecticut's economy.

Most importantly, my plan honors those principles while protecting our hard-working middle-class families.

The simplest way it does that, is this: *my proposed budget does not include any new taxes.*

The families and the businesses of Connecticut have enough on their shoulders. This budget asks no more of them. In fact, I'm proposing we give them some much-deserved help.

Here's something else this budget doesn't do: *it does not exceed our spending cap.*

I know that past administrations chose to blow through that cap. We cannot and will not go down that road. Connecticut must live within its means.

And to help ensure we really are living within our means, here's something this budget does do: *it completes the move to Generally Accepted Accounting Principles.*

This budget is fully balanced under GAAP. That's a promise we made two years ago, and it's a promise kept. Simply put, that means that if you have to balance your checkbook honestly, so should your state government.

We're also simplifying our state finances.

For too long, we've continued to add line-item after line-item to our budget, making it far more complex than it needed to be. In this budget, we've either merged or eliminated nearly 150 appropriations, programs, or earmarks. That's a 22 percent reduction.

Of course, it isn't enough that we're just streamlining our books and looking at them more honestly. To get our fiscal house in order, we need to make some hard choices. In this budget, we've made lots of hard choices.

*In total, I am proposing more than 1.8 billion dollars in spending reductions from our current services budget over the next two years.*

Let's put that number in context.

In November of 2010, the previous administration projected a 3.4 billion dollar structural deficit for the following year. Instead, we ended that year with a 140 million dollar gap, which we filled.

And for this fiscal year, they projected 3.1 billion dollar deficit. Instead, our budget is balanced.

As you review my plan, you may find cutbacks in programs or grants that you hold dear. Things you fought hard for. There are 187 elected legislators in Connecticut, each of you with individual priorities.

No matter what our politics, we all love this state and want what's best for it. So when it comes to finding savings, we all have our own idea of what things just can't be touched.

As Shakespeare said, there's the rub.

For too long – for decades in fact – Connecticut seemed unable or unwilling to prioritize, to make those hard decisions about where to cut back. We spent too much on too many different things, and we failed to invest in the few big, bold things we needed most.

Thanks to all of you, thanks to your hard work and willingness to find compromise, we're finally headed in the right direction. And we're going to stay the course.

IT WON'T ALWAYS be easy, especially when Connecticut continues to face rising costs in a few key areas.

Whether it's 380 million in Medicaid growth, the rising price of keeping up with our state pensions, or moving to a more honest system of budgeting – these are obligations of a responsible state government.

Connecticut long ago made a promise to teachers that paid into their retirement fund; to working parents that rely on Medicaid for basic health care; and two years ago, we made a promise to ourselves that we were finally going to get serious about our finances by moving to GAAP.

We're going to keep – *and fund* – those promises.

In order to do that, even as costs go up, my budget cuts 862 million dollars off current services in year one, and more than a billion dollars off in year two.

No matter how we get there, the bottom line is this: *we should not spend more than the amount I've recommended in this budget.*

Connecticut families know what it's like to find themselves paying a little bit more for the things they need. Groceries, a medical bill, college tuition for their child.

Costs are going up. So what do they do?

They find places to cut back. They find savings.

Their state government is going to do the same. We're going to continue the hard work of keeping our own budget in the black. Year in, and year out.

WE DO THAT – we make those cuts – so that we can stay focused on our priorities.

One of those priorities must be a refusal to shift our burdens onto Connecticut's towns and cities – a promise that we won't pass the buck to every family struggling to pay their local property tax bill.

Today, I am proposing that we make the same promise that was made – and kept – two years ago, that once again, *we hold municipalities harmless in our budget.* So that cuts made here in Hartford don't come at the cost of higher property taxes around the state.

The first way we do that is by helping towns fund their most important mission: education. *My budget increases Education Cost Sharing funding by 152 million dollars over the next two years.*

In 2014 that will mean an additional 2.8 million dollars for Hamden, and 2 million dollars more for Norwalk. It means an additional 6 million dollars for Danbury, and 1.1 million dollars more for Enfield.

We're also going to help grow our local economies.

Our capital budget will invest nearly 1.5 billion dollars into cities and towns in each of the next two years.

That includes 140 million in total funding for Urban Act and STEAP grants;

One hundred and seventy three million over the next two years for new projects through the Town Aid Road and Local Capital Improvement programs;

More than 980 million to help our towns build new schools – schools that will help kids learn better in modern classrooms at the same time they support property values in our neighborhoods;

And finally, we're also investing in our Local Bridge Program – 15 million dollars in the coming year for new grants to help towns update their infrastructure.

I spoke earlier about the need to make sure Connecticut families feel the benefit of what we're doing in this budget. These critical investments in cities and towns – in our roads, our schools, and our parks – represent the largest commitment in decades to growing our local economies, and improving the quality of life for our residents.

*Connecticut families will feel the difference.*

WE'VE TALKED ABOUT the cuts we need to make – about holding the line on spending and on taxes – and about keeping our promise to towns. But we can't stop there. Even in difficult times – *especially in difficult times* – we have to keep investing in our future.

It is incumbent upon state government to pursue jobs – actively and aggressively. I know some among you will criticize that philosophy. Those who think it isn't government's place to help stimulate growth.

I fundamentally disagree.

Burying our heads in the sand is not a strategy, and sitting still is not an option. Even as we find savings, even as we continue to support our towns and cities – we have to work to grow jobs.

To start with, I am proposing the Bioscience Innovation Act. This new program will establish a 200 million dollar fund to strengthen Connecticut's bioscience sector over the next ten years.

We've seen what's possible in this industry. Jackson Labs has already broken ground in Farmington and begun hiring Connecticut workers into good paying jobs with good benefits. We estimate they're going to support 6,800 permanent jobs once they're fully developed.

But this isn't just about Jackson. It's also about Alexion in New Haven, and Durata in Branford – about the many other great companies and entrepreneurs throughout Connecticut already working in this rapidly growing field.

And the impact extends beyond bioscience. Cultivating this industry and creating these kinds of jobs means we have more people eating at our restaurants and shopping in our stores. It will mean a broader economic base for our towns and for our state.

And these are investments in the truest sense of the word. With an appropriate level of state support, we're able to attract far more in private dollars, and we're able to better leverage federal funding.

We have to compete for every job. The Bioscience Innovation Act will help us do exactly that.

WE'RE HELPING EMPLOYERS in other ways. This week, my administration will finalize our state's first-ever comprehensive energy strategy – placing us on a path to a more sustainable economic and environmental future.

This plan will help us take advantage of enhanced energy efficiencies to drive down energy costs for families and for businesses.

It will promote distributed generation and micro-grids to increase energy reliability.

It will drastically improve consumer choice by addressing the expansion of natural gas – where appropriate – in an environmentally sound manner.

And for customers that are near gas lines but not connected, it will *offer a new 500 dollar tax credit* to help get them connected and start saving them money.

We've gone far too long without understanding the connection between high energy costs, protecting our environment, and making Connecticut businesses more competitive. These issues are linked and, finally, we're going to treat them that way.

We've already seen electric rates in Connecticut drop by 12 percent across the board over the past two years. The process of continuing those efforts as part of a broader strategy starts today.

The legislation I am proposing will remove the regulatory and institutional barriers that have long prevented our state from being an energy leader. Now is the time for us to take control of our energy future.

AS WE WORK to foster new jobs and lower energy costs, we also need to make sure we're helping grow the next generation of high-skilled workers. The creation of a strong public research university is critical to ensuring our long-term economic competitiveness.

We must provide educational opportunities in science, in technology, in engineering, and in math.

There was a time that Connecticut was a world-leader in these areas. Our inventors created the first submarine, the portable typewriter, anesthesia, helicopters, and of course... the Frisbee.

Historically, we've ranked among the top states for patents on a per-capita basis. But now, we're in a global economy. The competition has gotten stiffer.

My proposal is that we get Connecticut and UConn back in the game, in a big way. *We can do it with an injection of more than 1.5 billion dollars over the next ten years into a new program: "Next Generation Connecticut."*

This funding will drive innovation, enhance job creation and spur economic growth. It will allow us to make strategic investments in new facilities, to offer more scholarships and add researchers.

Together, we will fuel Connecticut's economy with new technologies and new employers; with more highly-skilled graduates, more patents, more licenses, and more high-wage jobs.

In Storrs, this funding will allow for more than 5,000 additional students, including a 70 percent increase in the number of engineering students.

In Stamford, it will help create a New School of Fine Arts and Digital Design. A one-of-a-kind digital media degree for new professionals, so they can find jobs at ESPN or NBC Sports or Charter Communications or other companies we will attract to the state.

And it will help build a new campus in Hartford – one that offers professional graduate programs in business, engineering, and social work.

That's just some of what this investment will do.

And, of course, the University of Connecticut is not the only home for Connecticut students to learn and grow. Students from Eastern, to Gateway, to Norwalk Community College, all deserve a college experience that prepares them for lifelong success.

Our consolidated system – under the Board of Regents for Higher Education – is more responsive to how today's students learn. Through that system, more funding will go to university and community college classrooms, as well as direct services.

Connecticut's four state universities and its community colleges are an integral part of our economic development strategy.

Our institutions of higher education represent so much – the opportunity we offer young students, and the potential for our economy to grow and prosper.

They are the promise of Connecticut's future.

Let's invest in them.

Let's make them beacons that shine well beyond our borders. A clear signal of the promise and the potential that Connecticut and its people hold.

Let's do that together.

IN MUCH THE same way that investing in UConn and our other state colleges will help grow our economy, we also need to support K through 12 public schools, and our teachers.

It is a moral obligation that we provide Connecticut's kids a high-quality education, but it's also in our economic interest to foster the next generation of scientists, teachers, doctors, engineers, business leaders, and entrepreneurs.

In addition to the new ECS funding I mentioned earlier, my proposed budget continues to fund the critical education reforms we began last year.

Over the next two years, we are continuing to improve student outcomes by increasing funding for alliance districts by 144 million dollars.

We're turning around struggling schools by growing our Commissioner's Network, with funding for 17 more schools.

We're continuing to broaden the range of educational opportunities by maintaining our support for magnet schools, agricultural-science schools, and other high-quality options, including funding for additional state charter schools.

And while we help our underperforming schools, we're going to get out of the way of districts that are doing well. For high-performing schools, we can eliminate burdensome reporting requirements and free them from some state mandates.

WE CAN ALSO do some new things to make sure we reach our kids as early as possible. Quality early childhood education is one of the best investments we can make to close our achievement gap and put young students on a path to success.

With the support and leadership of many – including the Graustein Memorial Fund and the Early Childhood Collaborative – today we take action on a charge given by this General Assembly in 2011: a charge to foster a true early childhood system.

I am proposing that Connecticut’s early childhood efforts – which are today divided across five state agencies – be consolidated under one new agency: the Office of Early Childhood.

This office will better align state resources, increase data collection across several agencies, improve family outreach and, most importantly, prepare more youngsters for kindergarten and beyond.

Beginning with early childhood, from K through 12 and all the way through higher education, my proposed budget supports education at every level.

DESPITE THE HARD work of everyone in this chamber, and despite the many good things we’ve done to reshape Connecticut, too many in our middle class still may not feel the changes we’re making. The economic headwind is strong, and there are still too many unemployed or underemployed.

So, the question is – what do we tell those families I spoke about earlier? The ones that might not yet feel the changes we’ve set in motion together.

There are things we can do to help right now. Things won’t be easy for awhile, and we can’t solve anyone’s problems overnight. But we can lighten their load.

For one, we can begin to make our tax laws more fair and more sensible – especially when it comes to taxes that unfairly impact the middle-class, and those striving to be middle-class.

Ten years ago, a state Blue Ribbon Commission found that Connecticut’s motor vehicle property tax was “especially unfair.” The reason was that residents in different communities pay very different amounts on the same property value. It encourages people to register their cars in lower-tax rate towns or even out-of-state, leaving the rest of us to foot the bill.

Meanwhile, our towns and cities are spending too much time and too much money to collect this tax.

I know this issue has been taken up in different forms over the years, and that finding a workable solution has been difficult. But, I think Connecticut is getting better and better at solving tough problems.

*Today, I am proposing that we exempt the vast majority of Connecticut’s motor vehicles from the property tax.*

We can do it by providing an exemption from the property tax for the first 20,000 dollars of a vehicle's assessed value. That means owners of vehicles with market values under 28,500 dollars would pay no property taxes at all on those vehicles.

The proposal would include more than 90 percent of all motor vehicles, whether they are owned by residents or businesses.

To ease the transition, we can allow municipalities the option of providing this exemption, or a portion of it, for the tax year beginning July of 2013. After that, it would be implemented statewide beginning in July of 2014.

This is tax relief for families who are middle class, working class and working poor.

It gives a break to businesses – especially small businesses, and it takes an administrative burden off local governments.

We don't have to stop there. This shouldn't be a one-off solution, but the beginning of a broader strategy.

*That's why my budget also reinstates the tax exemption for items of clothing up to 25 dollars starting next year.*

It does it as a first step toward completely reinstating the original 50 dollar exemption in July 2015.

Of course, these changes won't solve all of a working family's problems. But, as we continue the hard work of reforming our state finances – and of growing jobs, they can still mean something to families working hard to make ends meet.

Let's make it happen.

Let's provide relief for working people across Connecticut. Relief they will feel.

AND THERE IS more we can and should do to help our middle class. Today, the unfortunate reality is that the rate of home foreclosures is still too high. Many of our residents have struggled as they wait for the economy to pick back up. For some, the clock is running out.

New protections I announced last week will help give struggling homeowners a fighting chance.

My plan will hold banks accountable with tougher penalties if they don't negotiate in good faith. It will give homeowners new tools to challenge a foreclosure in court.

I've met with people that are struggling to keep their homes. If these rules had already been in place, Debbie Sargunas in Thomaston would not have suffered needlessly through a year-long mediation process with her bank; one that found her meeting with different lawyers at every turn.

We must help families like Debbie's that are struggling to keep their home. We must stem the tide of foreclosures.

The bill I am submitting to you will help do just that.

THAT'S HOW WE'RE helping homeowners stay in their homes; we also need to make sure our renters can find affordable places to live.

We need to do it so that our low income residents don't have to use so much of their personal income just to put a roof over their head.

So our young people graduating from college can stay here in Connecticut, to live and work where they grew up and went to school.

And so that our elderly – who have spent their lives in Connecticut – aren't forced to move when they least want to, and are least able to.

*This budget provides 221 million dollars to invest in safe and affordable housing for Connecticut residents over the next biennium.*

To help coordinate these investments, we're also providing staff and programmatic funds for the Department of Housing, a new agency that will work aggressively to address housing needs across Connecticut.

FINALLY, THIS BUDGET also moves us forward on the issue of public health. When it comes to protecting Connecticut residents, there is no more simple or more sacred responsibility than making sure everyone has access to health care.

As I said earlier, rising Medicaid costs continue to put pressure on our ability to provide critical services, but it's a challenge we can and will overcome.

Thankfully, the federal Affordable Care Act has given us an opportunity to do just that.

Connecticut has become a national leader in the creation and development of our health insurance exchange – an innovative and competitive marketplace for care. My budget continues to grow this system. Doing so will save the state money, and help get more people covered. It's that simple.

My plan also funds caseload growth for our health and human service agencies – meaning they will have the necessary resources to continue providing care.

And we're finding ways to enhance *how* that care is delivered, by continuing to focus on the community level.

First, we're going to maintain our support for Money Follows the Person – a key program that helps our elderly that want to stay in their homes – do just that. New funding will move Connecticut closer to our goal of transitioning more than 5,200 people out of nursing homes and back into their communities by 2016.

Second, my budget will provide new, streamlined support for community and school-based health centers. Rather than using ad hoc grants distributed without a strategic plan, we'll use one formula to ensure that every center receives funding, and that the amount is based on how many people are receiving care at each facility.

And third, we will renew our commitment to our nonprofit community provider network. In addition to existing bond authorizations, my capital budget establishes a new 40 million dollar bond pool over the biennium for non-profit health and human service providers.

This pool has the potential to drastically lower costs for providers by allowing them to quickly access funds for improvements at their facilities.

It will make it easier to buy a new furnace, replace a leaky roof, or invest in a new I.T. system. It means our nonprofit organizations can devote even more of their resources toward doing what they do best: providing top-notch care.

It's an investment that our community providers – and their clients – will feel.

THIS SESSION, LET'S do the hard jobs we were elected to do – by coming together to pass a balanced budget, by finding compromise, and by remembering that no matter what our politics, we all want what's best for Connecticut.

I'd like to tell you that this budget solves all of our problems, but it doesn't.

What it does do is keep us on the steady path to progress. It furthers a plan we started two years ago: a plan to get our finances in order, to live within our means, and to do it while making bold investments to create jobs and grow our economy.

My proposed budget is a clear indication of how far we've come together, and also a stark reminder of how far we still have to go.

As we negotiate throughout this session, it is my hope that everyone in this chamber – Democrat and Republican – will be part of that process. Let’s not allow ideology to stand in the way of progress or compromise.

There is much we agree on.

We all agree that we need to keep spending in check, despite rising health care costs and other long-term obligations. This budget lives within our means and within our spending cap.

To do that, we all agree that spending cuts are needed. This budget cuts more than 1.8 billion dollars over the next two years off current services.

We all agree that we have to keep investing in jobs. This budget supports small businesses and entrepreneurs while working to attract new employers.

We all agree that students of all ages deserve a quality education. This budget continues to fund education, and it puts our students on track for success.

We all agree that we have no desire to shift the burden to our towns and cities. This budget holds them harmless.

And finally, we all agree that our middle class deserves a break. In this budget, they get a few.

We help struggling homeowners stay in their home.

We make energy bills a little more affordable.

We make owning a car a little less expensive.

And we make buying clothes just a little easier.

Let’s not make this budget be about division. Let’s make it about coming together, and about continuing on the path we started down two years ago: a journey to build a more prosperous and more sustainable future for Connecticut.

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

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