



STATE OF CONNECTICUT
GOVERNOR DANIEL P. MALLOY

**GOVERNOR DANIEL P. MALLOY
2014 STATE OF THE STATE ADDRESS**

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Mr. President, Mr. Speaker, Senator McKinney, Representative Cafero, ladies and gentlemen of the General Assembly, honored guests, and all the citizens of our great state watching or listening today – thank you for inviting me to address you.

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

I'd like to recognize my wife Cathy and my son Daniel who are here today.

The State of Connecticut could not have a better Lt. Governor, and I could not have a better friend, than Nancy Wyman. Thanks to Nancy's hard work, Connecticut is leading the nation in getting people signed up for affordable care.

Introduction

I want to begin today with a story that I think says a lot about who we are in Connecticut, and where we're headed.

This past December I visited a small business owner named Steve Weinstein. Steve runs a farm in East Hartford that was devastated by the February snowstorm that blanketed our state last year.

Much of his property was left unusable. He lost 80 percent of his production capacity. His business was close to failure.

Steve had a choice to make. What did he do?

He dug in.

He pushed ahead.

He did the hard-but-necessary work of rebuilding.

Today Steve's company is back in business sending locally grown products to towns and cities across Connecticut. He isn't back to 100 percent – rebuilding takes time – but thanks to his hard work and just a little help from the state, he's making real progress, and he's part of Connecticut's economic recovery.

That kind of resilience is inspiring. And yet, it's something that I see almost every day in the people of our great state.

Mark Twain called Connecticut "the land of steady habits," and through our long and storied history, many of those habits have driven us to accomplish great things. Our courage helped found this country, and our ingenuity helped spur the industrial revolution.

In recent years our habits have carried us through some difficult times, as well: through the great recession, through storms that battered our homes and our businesses, and even through our darkest day just over one year ago. Time and again, Connecticut has demonstrated a resolve and a devotion that has carried us forward.

Unfortunately, there's another side to our steady habits – one that hasn't served us quite so well. Over time, certain *bad* habits have kept Connecticut's government from keeping up with a changing world.

Putting off hard decisions left our state with a deficit that was among the worst in the nation just three years ago.

Bouncing from one economic development strategy to the next sent mixed messages to employers.

And a tendency to shy away from big changes kept Connecticut from making desperately-needed investments in our energy infrastructure, our affordable housing stock, and our schools and colleges.

I say this not to lay blame for past problems, but because those who forget their history are doomed to repeat it.

I say it so that we can understand what we've changed, and precisely what that change has meant to the people of Connecticut:

More than 40,000 new private sector jobs grown over the past three years, spread throughout every region of Connecticut;

An unemployment rate that has gone from a high of 9.4 percent in 2010, down to 7.4 percent today;

Home values that are finally on the rise after years of decline;

Crime rates that have dropped to a 46-year low;

A plan in place that will bring cheaper, cleaner, and more reliable energy to Connecticut;

A state that now ranks nationally as top five in energy efficiency, top four in worker productivity, top three in the number of advanced degrees, top two in production efficiency, and *number one* in the health of its citizens.

...

Our work hasn't been easy. No person – and certainly no government – is perfect. Lord knows I'm not. All of our progress has come with setbacks along the way.

But together we've proven that positive change, while hard, is possible. That progress is possible.

That's what I want to talk to you about today:

How together we're making positive changes, and seeing real progress.

How we must ensure that hardworking families share in that progress, and share in Connecticut's recovery.

And how, in order to keep this recovery going, we need to continue making thoughtful, even bold investments in our future, and in the future of our children.

Responsible Budgeting and Tax Relief

Let's talk about how we're achieving some of that positive change. For one, together we're making hard-but-necessary budget decisions.

A big part of growing an economy that's built for the long-term is making sure state government is living within its means and controlling its debt. For too long Connecticut ignored that responsibility, racking up deficits and letting our long-term debt grow larger and larger.

It all came to a head in 2009. The budget that eventually went into effect borrowed \$1 billion for operating expenses, it drained every penny from a \$1.4 billion rainy day fund, and it

deferred \$50 million in required pension payments, part of more than \$300 million in payments that would be deferred over the next three fiscal years.

Think about that. In one fell swoop, the State of Connecticut undertook the largest deficit financing in its history, used up its entire savings, and refused to pay its pension obligations.

Today, after a lot of tough decisions and strong leadership from many people in this chamber, we've come a long way:

Together we've turned a \$3.6 billion deficit into a \$500 million surplus;

We've cut our total long-term debt by more than 11 and a half billion dollars, the equivalent of \$3,200 for each and every man, woman, and child in Connecticut;

And we've already put more than \$270 million into our rainy day fund.

...

We aren't out of the woods yet. We have a lot of work left to do. But together we've taken the more responsible path. The result is this year's \$500 million surplus. Last week I announced a simple, three-part approach for the responsible use of those funds.

First, the lion's share should go directly into our rainy day fund. My proposal would bring the rainy day fund to more than half a billion dollars this year.

Second, we should continue to reduce our long-term debt by making an extra \$100 million payment toward state pension obligations. The return on that investment will mean a \$430 million reduction in our long-term debt.

And third, we should give something back to Connecticut taxpayers, because if the people of Connecticut are going to share in the sacrifice during tough times, they should also share in the recovery as things begin to turn around.

Together, we can issue a targeted refund to Connecticut taxpayers to return to them some of the sales and gas taxes they've paid. A refund of \$110 for families and \$55 for individuals will help offset the payments they've made toward those taxes.

Is it going to solve all the problems of any one person in Connecticut?

Of course not. But it can certainly help.

And by giving money back to people who will spend it on things they need, we're also injecting \$155 million directly into our state's economy. Economists at the University of Connecticut predict that this refund could result in 1,200 new jobs in Connecticut this year.

Let me be clear: I don't believe in short term fixes, and this should not be a one-time approach. A bill I submit to you today would ensure this framework is required for any future budget surplus.

So that whenever Connecticut has the means, we do three things: we shore up our savings, we reduce our debt, and we give back to taxpayers.

Finally, let me say this: If our surplus increases in the months ahead, the extra funds should be split between our rainy day fund and long-term obligations – not spent.

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That's how I think we should handle this year's surplus. But that's a separate question from how we continue to manage our budget for long-term recovery. The adjustments I submit to you today follow some simple principles we've put in place together.

First, we have to live within our means. Let's not spend one penny more than the previously-adopted General Fund budget.

Second, we have to keep paying down long-term debt. Let's continue to make responsible debt payments we've already planned, on top of that \$100 million additional pension payment.

And third, in addition to short-term relief from a tax refund, we should also begin providing longer-term relief, to make sure that taxpayers continue to share in Connecticut's recovery.

Here's a few ways we can do it.

First, we can continue the planned implementation of a sales tax exemption on clothing items of \$50 or more. When fully restored, this will save taxpayers an estimated \$140 million per year.

Second, we know that over time the cost of medication has grown more and more expensive. To help ease that burden, I propose we once again exempt non-prescription drugs from sales tax.

Third, for many years towns in Connecticut have been subject to a tax on their municipal health care plans. We should give them a break by exempting towns from this tax. This will in turn help them hold down local property taxes.

And finally, there is a group of retirees in Connecticut that has for too long been subject to a very basic tax unfairness. I'm talking about Connecticut's retired teachers.

After decades educating our children, our teachers' pension payments are taxed differently than social security – which teachers can't participate in. Let's treat teachers' pensions more like social security by exempting part of those payments from the state income tax.

My proposal would begin with a 25 percent exemption this calendar year as a phase-in to a 50 percent exemption the following year. It's the right thing to do for retired teachers and we should get it done together.

...

All told, the tax cuts in my proposed budget amount to more than \$280 million over the next two years, and more than \$440 million when you include the tax refund.

This is modest – but *real* – relief. Relief designed to ease the burden of working families and help them share in Connecticut's recovery, now and into the future.

It's my belief that it can and should be a down-payment on larger tax cuts as our economy continues to improve in the years ahead. Whether it's corporate, income, sales, or property tax, every part of Connecticut's tax code should be reviewed, scrutinized, and reduced when-and-where possible as our economy continues to grow.

Continuing to Grow Jobs

Here's another positive change we're making. After years of complacency, Connecticut is playing an aggressive role partnering with employers to create jobs and grow our economy.

Consider this: from 2002 through 2010, our Department of Economic and Community Development partnered with a total of 118 businesses. That's nine years, 118 businesses, and we didn't have any program focused on helping Connecticut's small businesses.

In the two years since we came together to pass an historic, bipartisan jobs bill, I'm proud to say that DECD's Small Business Express program has extended a helping hand to nearly one thousand small businesses around our state.

All told, this program has helped create and maintain more than 13,800 jobs. That's 13,800 good jobs that exist today because of a program almost every Democrat and Republican in this chamber voted to support.

I want to thank you for that, and I know the people in those jobs thank you, as well.

We're also focusing on industries that are most likely to grow jobs in the years ahead. So in addition to supporting our flagship insurance and financial services industries, we're focusing on jobs in bioscience, advanced manufacturing, digital media, and green technologies.

Here's another positive change we're making: we started the hard task of bringing Connecticut's regulations into the 21st century. Last fall we began an open process of listening directly to businesses, provider partners, and the public so that we could get rid of regulations that are burdensome, or just not relevant.

In the coming weeks I will announce the results of this effort, which will do away with nearly one thousand pages of unnecessary state regulations.

...

Taken together, all of these positive changes have helped create more than 40,000 new private sector jobs and lower Connecticut's unemployment rate by two percentage points in just three short years.

That's real progress. It's real change. And if you don't think so, just ask Emily Thomsen.

Emily works for Oxford Performance Materials in South Windsor, a biomedical company that makes medical implant devices. A company that, after our jobs session in 2011, received a state loan and grant that helped them purchase new machinery and hire 12 more employees, doubling their workforce.

Emily is a UConn graduate who studied biomedical engineering. But a few years after she graduated, she found herself looking for work.

Thankfully, after months of searching, she got one of those 12 new jobs at Oxford.

She's been there more than two years now, and she's already been promoted twice. She calls it her "dream job."

Emily is here with us today. I want to congratulate her on her success.

Because of the people in this chamber, there are thousands of more stories like Emily's across Connecticut.

It's been said that government doesn't create jobs – and that's true. But what government can do is help give a company like Oxford a better chance to grow *here in Connecticut*, to succeed *here in Connecticut*.

Still, as long as even one person in Connecticut is looking for a job, then we all have more work to do.

...

Here are three ways we can continue helping employers to grow jobs this session.

First, we can continue to fund the Small Business Express program, which has a proven record of success.

Second, the budget adjustments I submit to you today include \$125 million to support Connecticut businesses. That includes increased funding for the Manufacturing Assistance Act, to help grow some of those target industries I mentioned, as well as a new Advanced Manufacturing Fund.

Together these initiatives will provide incentive-driven financial assistance to Connecticut businesses to help them modernize their technologies, focus on research and development, and create the jobs of tomorrow.

Third, we need to keep removing barriers to employment and reducing the number of unemployed workers in Connecticut. We can do it by continuing to support our successful STEP UP program with an additional \$10 million investment in the coming fiscal year, so we can incentivize employers to hire and train more people.

To date, 578 small businesses in Connecticut have participated in STEP UP, helping more than 2,000 unemployed job seekers gain employment.

Let's make these important investments together, and let's continue to grow jobs in Connecticut.

Supporting Connecticut Workers

As we work with Connecticut employers to grow jobs, we also need to keep fighting for the people filling those jobs.

There are those who claim that any action taken in support of employees is, by definition, harmful to our economy.

I fundamentally disagree. A balanced approach that supports both workers and their employers is not only possible, it's the only responsible path.

A great example of that balance is the important work we did two years ago to guarantee paid sick leave for employees. It was the right thing to do, it was done in the right way, and it has benefited the people of our state.

Last year, we moved forward once again when we came together to raise Connecticut's minimum wage.

Thanks to the great leadership of President Williams and Speaker Sharkey, and many others here today, the approach we took is already making life just a little bit easier for some of our hardest working citizens.

One of those hard working citizens is Sue Bryant-Durham, a mother from East Hartford, with four kids at home.

Over the years Sue has held a number of different jobs to help provide for her children.

She's worked in construction, she's worked in retail, and right now she works in the fast food industry.

On January 1, Sue got the first raise she's had at that job.

Sue is here with us today and I want to thank her for her hard work.

This session, we should continue our progress on the minimum wage. Let's take a clear stand and a clear position of leadership in this national debate.

I propose that together, we increase Connecticut's minimum wage to ten dollars and ten cents by 2017. It's a target the President has set, and we should lead the way there. We can do it by moving next January's scheduled increase to 45 cents, and then adding 45 cents the following year, and 50 cents the year after that.

This is good public policy, it's good economic policy, and it's the right thing to do. Let's increase Connecticut's minimum wage together.

...

In the same way that we're making investments in the industries most likely to grow jobs, it also makes sense to invest in the people most ready to rejoin our workforce. I can't think of anyone more ready and more deserving of our assistance, than Connecticut's veterans.

We know that homelessness and unemployment are intrinsically linked; part of a terrible downward spiral that captures too many people, especially veterans. Right now there are more than 500 homeless veterans in Connecticut.

It's unacceptable.

Today, the pledge we should take together is simple: Connecticut can and will end homelessness for veterans by the end of 2015. That's a pledge President Obama made for America, and it's a pledge we must embrace.

My budget proposal includes funding for a new security deposit assistance program to help veterans get over that first hurdle to finding a home.

It funds the hiring of job placement specialists trained in understanding the challenges – and the opportunities – unique to veterans.

And it sets aside \$500 thousand to support a review of existing state facilities so that we can put them to their best use for Connecticut's Veterans.

This is all a big first step toward ensuring that every veteran in Connecticut can get *back* on their feet, *back* under a roof, and *back* to work.

Improving Access to Quality Education

I've said a number of times today that we need to make sure everyone can share in our recovery. We know the best way to increase someone's chances for success is a quality education.

In that spirit, I want to leave you today with five ideas that I think will help give every Connecticut student access to a great education.

I want to work with you on these five initiatives because years from now, when the great recession is a distant memory, long-after the political battles of this year have faded, this should be our legacy: that we made sure all Connecticut kids get a great education, one that starts early and takes them as far as their dreams and hard work will allow.

...

First, and for the first time in our history, let's commit Connecticut to achieving universal pre-kindergarten.

We can start with an additional 1,020 early childhood opportunities next year, expanding to 4,000 new opportunities by 2019. We can give grants to communities so they have the tools to implement these changes. And, we can give much-needed rate increases to school readiness providers, child care centers, and Care-For-Kids programs.

We know that early education is one of the best ways to level the playing field for students. We know it, because we've seen it firsthand.

Tamara Jackson is a Hartford mom with two kids who are currently receiving early learning experiences.

Her son Andrew was born two months premature, and she worried about his development.

A little over a year ago Andrew moved into a new early education program. Tamara says his progress has been nothing short of remarkable.

With the help of some great teachers, he's already caught up to his peers. His experience has put him on equal footing, and given him the tools he needs to learn.

I want to welcome Andrew's mom, Tamara who is here with us this afternoon.

Let's help more kids like Andrew by moving our state to universal pre-k.

It will be a long and thoughtful process, but if you believe as I do that education is the civil rights issue of our time, then I ask you to join me today in taking the first steps toward making sure every child has access to a pre-k experience.

This would build on our important work begun last year to create the Office of Early Childhood. We need to finish that work by codifying this Office in statute. I am ready to sign that legislation today.

...

Here's the second initiative: let's help make college a little more affordable.

We can do it with a simple promise to Connecticut parents: beginning this year, for every child born or adopted in Connecticut, the state will help them start a tax-free college savings account and put a \$100 investment into it for them.

And if parents save another \$150 dollars in the first four years, we'll match that for a total state investment of \$250 dollars.

Is that investment going to pay for a full college education 18 years later? Of course not. But it can give new parents a boost right when they need it most, and it can help encourage college saving right from the start.

I look forward to working with our great treasurer Denise Nappier to create this "CHET Baby Scholars" program.

Together, let's make an investment in every child that will help them afford college.

Of course, this initiative would not help anyone with a child already in school. That's why my budget also increases funding to the Governor's Scholarship Program, bringing it to more than \$45 million in total, which will help more students afford college in the years ahead.

...

Third, let's help give our kids the experience they need to fill the highly-skilled jobs of the future.

To ensure that our students are better prepared for college and a career when they finish high school, particularly in high-tech disciplines, we need to consider new models for hands-on learning.

This year, my administration will continue to work with teachers, community colleges, and business partners toward the creation of early college initiatives, which would allow students to earn college credit during high school.

We can do it by partnering with the IBM Corporation and other local companies to develop a Connecticut version of P-TECH, IBM's acclaimed, innovative high school and college partnership.

This approach will allow students to graduate with both a high school diploma and an associate's degree.

Let's offer students this experience, and help put them on a path to a great job.

...

Fourth, let's continue to invest in our state university and college system.

The "Transform CSCU 2020" initiative will provide an initial investment of more than \$134 million to help bring all 17 campuses into a single, student-centered, technology rich-system.

It will help colleges adapt to student needs and offer the kind of dynamic higher education experience that students want and employers expect.

Let's help colleges from Norwalk to Naugatuck Valley to Eastern Connecticut State University. Let's move our state university and community college system into the 21st century.

Let's do that together.

...

Fifth, and finally, let's help graduate as many students as possible.

When a student fails to graduate from college it's a lost opportunity for the student, the college, and our economy. And right now there are an estimated 113,000 people in Connecticut who fit that description – people who began working towards a degree but for whatever reason didn't graduate.

Here's what we can do.

If you're a student who began a degree program but have been out of school for more than 18 months, Connecticut will offer one free course for each course you take at a public college – and up to three free courses in total – if you come back and matriculate.

This "Go Back to Get Ahead" program will run for a limited amount of time. It's designed to incentivize people to pay off a debt – a debt they owe themselves.

Let's help more students graduate, and let's help them share in Connecticut's recovery.

...

These five proposals – taken together – are part of a continuum, one that would help our kids from birth all the way through college. Let's work to build this future together.

A future where every child has access to an early learning experience;

A future that gives every kid the opportunity for higher education – one they can afford;

A future where we are graduating as many students as possible into good jobs, with good benefits, right here in Connecticut.

That's the kind of future Connecticut families deserve.

Conclusion

I recognize everything I've laid out today is a lot to tackle in a short session. But working together, we can get it done.

There's only one thing that can stop us: ourselves.

Teddy Roosevelt said a century ago that it's not the critic who counts, but those who strive to do great things.

We hear plenty of critics now. Even as sunshine begins to break through the clouds, there are some intent on hoping for thunderstorms.

I said earlier that Nancy Wyman has led the implementation of the most successful health exchange in America and helped achieve affordable health care for nearly one hundred thousand people. When our exchange faces some unforeseen hurdle, the critics urge us to throw up our hands and keep more people from getting covered.

We should not listen. *Connecticut is moving forward.*

I also spoke about the work we've done to partner with Connecticut small businesses. Will every single one of those investments pay off? Of course not. And if one fails, the critics would say that's reason enough to stop investing in small businesses altogether.

We should not listen. *Connecticut is moving forward.*

And now, during this session, those critics will say that for one reason or another that we can't increase the minimum wage, that we can't expand access to early childhood education, that we can't find ways to make college more affordable.

They'll say the time isn't right, or that Connecticut just can't afford to do it.

I say they're wrong. *Connecticut must move forward*, because the people of our state have sacrificed, and now they deserve to share in our emerging recovery.

We know that none of our progress will come without setbacks; none of it will be perfect in execution.

The question before us is how should we define ourselves: by our setbacks, or by our successes?

This session, let this be our answer:

That together we will have the courage to continue pushing for bold, positive change;

The compassion to ensure that everyone can share in Connecticut's recovery;

And the faith to believe that Connecticut's best days are still ahead.

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

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