



Dannel P. Malloy

GOVERNOR
STATE OF CONNECTICUT

March 23, 2018

Finance, Revenue, and Bonding Committee
Commerce Committee
Appropriations Committee
Planning and Development Committee
Legislative Office Building
Hartford, CT 06106

Re: Testimony of Governor Malloy regarding Report of the Commission on Fiscal Stability and Economic Growth

The Commission on Fiscal Sustainability and Economic Growth was faced with an enormous task of developing recommendations for the state's financial and economic difficulties - some of which date back to mistakes made in the 1930s and some which demonstrate the steep climb the state has before it - with only 76 days to do so.

The Commission, under the very capable and steady leadership of Jim Smith and Bob Patricelli, were able to meet that seemingly unrealistic deadline and produce thoughtful recommendations that reveal a keen understanding of the entrenched challenges that policy-makers face in the effort to successfully disrupt the status quo. For this hard work, the Commission should be applauded and their recommendations deserve our consideration.

Connecticut's financial and economic difficulties are varied and long-running. For instance, our state's fixed costs will eclipse 60% of state spending in large part due to the demands of our pension and long-term obligation costs, debt service, and Medicaid. In the case of our pension obligations, the problems date back almost 80 years, but it is incumbent upon us to pay the unfunded share and keep the state moving in the right direction. That is why the Malloy administration has worked with state employees three times over the past six years to create new pension tiers for current employees, and to restructure pensions fostering new growth in the amortization methodology for the unfunded share. In addition, we have worked to pay off the economic recovery notes that had been authorized during the Great Recession to fill a large budget deficit.

Also, we cannot forget that our state is bound by a number of legal covenants due to policies and practices of the past. These consent decrees obligate the state to spending hundreds of millions of dollars annually on remedies. It is imperative that we continue to work toward remedies that can save

Collectively we must move Connecticut's thinking out of the past. For decades the state has avoided making investments in its transportation infrastructure. The result is that we have been left behind by surrounding states such as New York and Massachusetts - who are far surpassing Connecticut in economic growth as well. Nationally-speaking, many states that have invested in transportation are enjoying the economic growth and success we here in Connecticut aspire to achieve.

Now, we face with aging and crumbling rail and vehicle bridges that need replacement. The current traffic congestion on I-95 and the Merritt Parkway stands as one of the chief inhibitors of economic growth in this state. The rail system that carries our citizens into and out of New York each day needs constant repairs and improvements to ensure it remains a viable alternative for commuting that is cheap, energy efficient, environmentally friendly, and safe. However, these transportation needs do not stand alone, investments in local businesses and housing - which Connecticut ignored for decades - also are necessary. Put simply, Connecticut's approach infrastructure investment is outdated - just like the infrastructure itself. It is going to take a new way of thinking and a vision to the future to get Connecticut on the right track again.

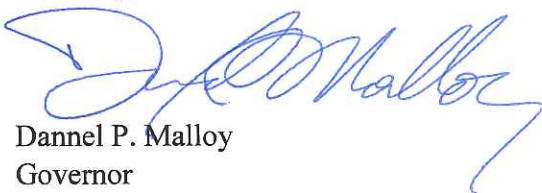
The core of Connecticut's fiscal and economic problems - unfunded long term obligations, crumbling and outdated infrastructure, and legal settlement decrees or oversight resulted from decades of mismanagement, and, in some cases, criminal behavior - will not be easily solved overnight.

Over the last seven years, I have taken steps to put the state on a better, more stable, predictable path by producing two major concession agreements with state employees resulting in billions of dollars in savings that restructured the state employee pension system several times, greatly reduced the state's exposure on unfunded liability for retiree healthcare, developed a robust transportation initiative to give Connecticut a state of the art transportation system, and worked to end the cycles of poverty and bad policy that have set our citizens back for decades. These steps taken by the administration have established key foundational building blocks to get the state moving in the right direction for the future, but more must be done. The truth is that doing what is necessary will be difficult and unpopular, but that is not a reason the Commission's report should not be dismissed or shelved.

Please give this report, and any and all matters that could improve Connecticut's financial outlook and economic future, your thorough review and a full consideration before making a decision.

I commend the legislature for having the foresight to establish the Commission on Fiscal Stability and Economic Growth and to engage in a robust dialogue regarding the challenges and trade-offs demanded by the challenges that face our great state.

Sincerely,



Dannel P. Malloy
Governor