



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

**Governor Daniel P. Malloy**  
**Fiscal Year 2013 Midterm Budget Address**  
**February 8, 2012**

***“Building an Economic Revival”***

Mr. President, Mr. Speaker, Senator McKinney, Representative Cafero, my fellow state officials, ladies and gentlemen of the General Assembly, honored members of the Judiciary, members of the clergy, honored guests, and all the citizens of our great state who are watching or listening today, thank you. Thank you for the honor of inviting me into the people’s House to address you.

This is an important Connecticut tradition and a privilege for me. I’d like to thank my extended family and friends for being here, and my wife and three sons for their love and support.

I’d like to recognize and thank the best partner, advisor, and confidante a Governor could ever have: our great Lieutenant Governor, Nancy Wyman.

I’d also like to acknowledge the presence here today of four legislators who have continued to work tirelessly on behalf of their constituents, even while battling challenging health issues. Senator Prague, Representative Backer, Representative Hamm, Senator Gomes – we’re glad to see you here today.

Finally, and with a deep sense of respect and gratitude, I’d like all of us to honor the heroic service of the brave men and women from our great state serving in the Armed Forces, especially the nine members of the Armed Services who gave their lives in our defense this past year.

Ladies and gentlemen, I’d like to spend some time today talking about where we were a year ago, where we are today, and most important, where I am convinced we need to go in the years ahead.

A little more than a year ago, on the day I was sworn in as your Governor, Connecticut was staring into the abyss of a future none of us wanted. A combination of years of avoiding tough decisions here in Hartford and the financial meltdown on Wall Street had brought Connecticut to its knees.

We had one of the largest per capita deficits of any state in the nation, there had been no net job growth for 22 years, state government was bloated and broken, our relationship with our fellow state employees was on an unsustainable course, and the citizens of Connecticut had no faith that Hartford was any different than Washington, DC in its attempt to do the will of the people.

In short, we were facing a crisis of massive proportions.

And so I said we needed to implement wholesale change, and I said we needed to walk down a different road together, one not being travelled by other states.

I said everyone needed to share in the sacrifice.

I said the deficit was too large to cut our way out of and too large to tax our way out of.

I said we had to get spending under control.

I said we had to make government smaller, leaner, and more effective.

I swore we would end years of playing games with the state's finances and I said our fellow state employees were going to have to be a big part of the solution.

Finally, I said that we had to start keeping the state's book honestly by adhering to Generally Accepted Accounting Principles.

I said we had to do all those things while focusing simultaneously on job creation; that by focusing on those things, we would stabilize the state's finances. I said that was critical if we wanted the private sector to do what it does best: create jobs.

One year later, it turns out that by taking that less-traveled road we have passed through the crucible of that crisis. In the process, we've brought positive, far-reaching, meaningful, and systemic change to Hartford.

First and foremost, we grew jobs in Connecticut last year – 9,400 new, private sector jobs were created, the first year of job growth since 2008.

We brought honesty and transparency to the state's books by moving to GAAP.

We stopped borrowing money to pay for operating expenses, and we stopped deferring our pension obligations. That stability gave the private sector the predictability it needed to make investments and create jobs.

The best evidence of the change we've brought to Hartford can be found in some of the arguments we've been having around here lately. Instead of arguing over how many billions of dollars of debt we're incurring by deferring our obligations, we're arguing over how many billions of dollars we're saving by meeting those obligations on time.

Instead of arguing over how much more money state employee contracts will cost taxpayers, we're arguing over how much money those revised contracts will save.

Those are very different arguments than the ones heard in this building over the last 20 years.

There are other examples of the change we brought to Hartford that benefit the entire state. We changed state government by making it smaller and leaner, while preserving the safety net – those services that define us as a compassionate and decent people.

We eliminated 22 separate state agencies, and today there are 2,700 fewer state employees than there were a year ago. That means we've reduced the number of state agencies by more than 25 percent, and the number of state employees by more than 6 percent.

We changed and restructured our relationship with our fellow state employees. As a result, we're saving Connecticut taxpayers billions and billions of dollars over the next 20 years. State government is now on a sustainable course.

And a few months after we did all of that, we changed the way politics too often works by coming together as Democrats and Republicans to pass what I believe is the most comprehensive jobs package in the nation in a special session.

Yes, it has been a long thirteen months. But a state that was on its knees has stood up and said, "Enough is enough – we're ready to change our future."

Yes, we have a long way to go, but a state that was at the crossroads of crisis and opportunity is beginning to turn the corner because we chose opportunity.

To the men and women in this chamber who stood with me to make some of those tough decisions, I salute you. It took courage to cast some of those votes, and your constituents should be proud of you.

So now what? Where do we go from here?

We could simply continue the work we began 13 months ago, and just keep at it. And if we did that, I believe we would continue to make some progress.

But I believe it's time to do something different. Let me explain.

Connecticut has a long, proud history. Throughout that history, when we were at our best, we were leaders.

We led the way for a young nation as it constructed the principles that would eventually become the Constitution of the United States – a set of principles that has long been the envy of other nations, and that still guides us today.

We led the nation in the founding of colleges and universities that bred generations of great leaders.

We led the world in fostering innovation and creativity, allowing us to produce things – great things – that made this world better and safer.

Yes, we were at our best when we were leaders. But awhile back we stopped leading. And since then, we have spent too much time muddling along, mired in mediocrity.

Ladies and gentlemen, it is time for us to lead again.

Let's think big.

Let's be bold.

Today, I am challenging the people in this chamber and business leaders across the state to join me in committing to build nothing less than a full-scale economic revival.

Not a recovery, a revival.

When I speak of a vision for an economic revival, what do I see?

I see a Connecticut in ten years that is a leader in bioscience and personalized medicine.

I see a Connecticut that leads in precision manufacturing.

I see a Connecticut that is home to a reinvigorated insurance industry, and I see a Connecticut that is a Mecca for digital and sports entertainment.

I see a Connecticut, ladies and gentlemen, where there are many, many jobs. New jobs. Thousands of new jobs. Blue collar jobs and white collar jobs.

Jobs building new affordable housing, jobs in agriculture, jobs in technology.

Jobs that pay well and provide good benefits. Jobs that won't be shipped down south or sent overseas.

Jobs that people will come to Connecticut to find, instead of leaving Connecticut to look for.

And I see a Connecticut with public schools that are the envy of the nation – graduating students ready to be hired for those jobs here at home.

In short, I see an economic revival that is worthy of the good people of Connecticut.

I have spent the past 13 months traveling around this state, talking and listening to people from all walks of life. These people want a good life for themselves, their children, and their grandchildren.

They desperately want that sense of economic security that allows them to buy a house and raise a family, all while saving for their children's education and their own retirement.

They want their children to grow up safe, they want them to graduate from good high schools, and they want them to go further – some to college, some to a trade school, some into the Armed Services.

And when those young men and women are done, their parents want them to be able to find jobs. Not somewhere else, but here, in Connecticut.

I believe the people of Connecticut are willing to work hard to achieve all of this. They're not looking for hand-outs, they're looking for opportunities.

We have spent the past 13 months setting the stage for this economic revival. Now is the time to commit to making it a reality.

In order to make this happen I believe there are three things we need to do.

First, we need to maintain the fiscal discipline we imposed a year ago. That discipline has made Connecticut a more predictable, reliable, stable place in which to do business. It's given the private sector the confidence it needs to make investments and create thousands of new jobs.

Second, we need to continue to make sure the entire world knows Connecticut is open for business.

Third, we need to reform the public school system that educates our children.

And we need to commit to this vision and implement it – year after year, until we get it right.

That's been one of our problems for too long: we're good at making plans, we're not good at sticking to them. Too often we've found ourselves simply careening from idea to idea, with no clear roadmap to guide us.

Not anymore.

Going forward, let this be our roadmap to a better future. This economic revival will not happen overnight – it can't. You can't undo 22 years of economic stagnation in one year. This is a long-term plan, designed to produce short and long-term results.

This time, let's have the resolve to stick it out.

In order to continue to impose that fiscal discipline, I am committed to making sure we end the current fiscal year with a budget that is balanced, with no gimmicks, and complies with GAAP.

Yes, we will have to cut some spending and forego some things we wanted to do over the course of the next few months, but make no mistake about it: we will end this year in the black.

That fiscal discipline also guided the budgetary adjustments I am proposing we make for the next fiscal year.

This package is GAAP compliant, it proposes no borrowing for operating expenses, it continues to meet our pension obligations on an actuarial basis, and it seeks no tax increases.

More than just meeting our pension obligations, I am proposing we increase payments to the pension fund by one hundred and twenty-three million dollars. Making this payment, and additional payments beginning in 2014, will save Connecticut taxpayers nearly 6 billion dollars over 20 years.

It will also avoid our children having to make a one-time, balloon payment of four and a half billion dollars in the year 2032.

That's right, as it stands today, absent this proposal, our children will have to come up with four and a half billion dollars in one year – all because of the past practice employed in this building of deferring pension obligations.

That practice is over.

There is no way I'm going to force our children to make that payment for debt they didn't incur.

I urge you to support this proposal. I didn't break this system, but I am determined to fix it.

Overall, my budget for next year seeks a spending increase of just 329 million dollars over the previously adopted budget, an increase of less than two percent.

In addition to the pension payment, I am proposing we spend 128 million dollars to increase funding for education, much of it targeted to our lowest performing districts.

Finally, I am proposing we spend the rest – 103 million dollars – to maintain the safety net and other critical services that help define us as a compassionate and decent people.

That money is necessary because the national economic recovery has been slow, and the people who depend on the safety net, and their caregivers, have suffered enough.

Those who will criticize a modest spending increase designed to fund education reform and make an additional pension payment are really saying that we should maintain the status quo in our schools, and that we should force our children to pay for our pensions.

I disagree. Let's give our kids a break.

So that's the first thing we need to do to make an economic revival a reality: maintain fiscal discipline.

The second thing we need to do is to continue to make sure everyone knows Connecticut is open for business. That's why we must take the jobs package we put together last October and continue to sell it across the state, the nation, and around the world.

That jobs package contains something for just about every business in Connecticut – big and small – and for Connecticut workers.

If you're a company looking for ways to expand your operations, whether through facility upgrades or new equipment, the jobs package provides much-needed access to capital.

For those companies looking to add jobs, there are new grants, loans and tax credits available to support your growth right here in our state.

If it's job training assistance you need, there is new funding in place to help you invest in your most important asset – your workforce.

And, if you're an entrepreneur, there are new reasons to start and grow your business in Connecticut.

The jobs package includes a 125 million dollar investment over five years that is being matched dollar-for-dollar by Connecticut Innovations.

This deployment of 250 million dollars will accelerate growth in high-tech startups and redefine how we help bring innovative ideas to the marketplace.

Finally, the jobs package also extends our successful First Five program, which focuses on large-scale economic development projects. We've already approved four projects. Together, those projects will generate more than 450 million dollars in capital investment and create up to 2,250 new jobs in our state. These are smart investments in growth industries, and they'll create thousands of jobs for decades to come.

We should all be proud of what we accomplished by coming together to pass this jobs package. It's solid evidence that we can make an economic revival a reality, and it's already working.

Last month, I visited Oxford Performance Materials in South Windsor, a company that makes small medical implant devices. It's the first company to take advantage of our 100 million dollar small business express program. We're loaning them \$200,000 and giving them a grant of \$100,000. This state assistance will allow them to expand their operations and double the size of their workforce. And this entire process took 40 days, not the many months it used to take.

The best news? There are 279 applications for the small business express package currently being processed.

I want everyone in this chamber to know that the work we did together is already paying off. Jobs are being created as we speak.

Ladies and gentlemen, we could accomplish both of these goals. We could continue to be disciplined about the state's finances, and implement a smart economic development strategy. We could do both of those things and more, but until and unless we fix our public schools, we will not have addressed our most pressing obligation: the education of our children. And unless we do that, an economic revival, and its unlimited promise, will remain beyond our grasp.

So let's talk about education.

Let's be honest with ourselves, and let's speak bluntly: many parts of our system of public education are broken. Yes, there are many places in our state where there are good schools and students are performing well. But in too many parts of the state that is simply not the case.

In too many places, public schools are failing their two most basic missions: to provide children with an equal, world-class education, irrespective of race or income, and to ensure that their skills and knowledge match the needs of Connecticut's employers.

As I traveled around the state last summer on my jobs tour, nothing was more frustrating than a refrain I heard from too many employers. They said, "I have job openings, but I can't find workers in Connecticut with the skills to fill them."

To be honest, it was maddening to hear.

Because just prior to that, I'd spent two months traveling around the state to do 17 town hall meetings on the budget and in that time I met hundreds of people who were unemployed or under-employed.

Imagine that: we have jobs that need to be filled – good jobs -- and we have people that desperately want to work. Yet those jobs remain unfilled and those people remain unemployed.

It's got to stop.

No one should doubt my resolve: I am determined to fix our public schools.

I do not think it will be easy, nor do I think it will happen overnight.

But it will happen.

It must happen.

Before we can fix our schools, we need to understand what's wrong with them.

Our problem is not the result of ill will or bad intentions. Many people – including lawmakers in this chamber today – have tried to fix our broken system. But it hasn't worked – as evidenced by our continued failures in national grant competitions like Race to the Top, our flat test scores, and our yawning achievement gap – the worst in the nation.

We've been too timid when the situation calls for boldness.

With that in mind, I sent a letter to the leaders of the General Assembly last December in which I outlined six fundamental principles I believe must guide our education reforms. My education package is built on these principles.

First, we can enhance families' access to early childhood education by creating new seats for 500 children who can't afford preschool and by investing in a new rating system to improve quality. Early childhood educators are gifted, talented people and we need to support them. This funding is a good first step as we work to get to universal pre-K access.

Second, we need to address our badly broken system for delivering state resources to the schools. This year, we will add 50 million to the Education Cost Sharing formula, with the vast majority of that money targeted to the districts serving students with the greatest need.

But since more money alone will not raise student achievement, we will require these districts to embrace key reforms – or they will not get the money. And we will do this without reducing education funding to any city or town. Some will get more, but no one will get less.

Third, we will transform schools with the worst legacies of low achievement. The state will serve as a temporary trustee of schools that lack the capacity to improve themselves. These schools will become part of a Commissioner's Network and they will receive our most intensive interventions and supports.

Fourth, we can strengthen and expand high-quality school models – whether they are traditional schools, magnet schools, charter schools, or other successful models – and hold them accountable for their results and inclusiveness.

Fifth, let's remove red tape and barriers to success. The state can streamline its systems – in teacher certification, data collection, and elsewhere – and free districts to innovate and perform.

Those are just a few highlights of proposals that we've developed from the first five principles. We've spent time talking about them over the past week, and you can read about them, in detail, on our website.

These ideas will take us far, and they'll help us better prepare our students to succeed in a 21<sup>st</sup> century economy. But they won't take us far enough.

That's why my sixth and final principle requires us to ensure that our schools are home to the very best teachers and principals. In order to make that happen, we need to do a better job of helping and supporting our teachers.

I am proposing we overhaul our teacher preparation programs so that our brightest young people go into teaching and graduate with the skills to succeed. We will also create new career opportunities. Teachers should not have to leave the classroom to advance in their profession. Our new master teacher certificate will recognize exemplary teachers and open up new career opportunities for them.

We will also invest in better on-the-job training. Too often, our idea of professional development is to send teachers to big auditoriums to listen to lectures. Instead, I'm proposing we invest millions of dollars in the kind of training that works, such as one-on-one coaching in the classroom.

And thanks to a consensus framework agreed to last month, we're building a smart system for evaluating teachers and principals – with student achievement as the single most important factor.

Taken together — better preparation and development, new career opportunities, and evaluations on the basis of student achievement — these proposals will go a long way to meeting our goal.

But we must do one more thing.

I'm a Democrat. I've been told that I can't, or shouldn't, touch teacher tenure. It's been said by some that I won't take on the issue because it will damage my relationship with teachers.

If the people in this chamber — and those watching on TV or online, or listening on the radio — if you've learned nothing else about me in the past 13 months, I hope you've learned this: I do what I say I'm going to do, and I do what I think is right for Connecticut, irrespective of the political consequences.

And so when I say it's time we reform teacher tenure, I mean it.

And when I say I'm committed to doing it in the right way, I mean it.

Since 2009, 31 states have enacted tenure reform, including our neighboring states of New York, Massachusetts, and Rhode Island. It's time for Connecticut to act.

For those watching or listening who don't know what tenure is, it's basically job security. Let me explain.

Right now, if you're a teacher and you have tenure, your performance in the classroom has to be rated "incompetent" before a dismissal process can even begin. Even then — even if you're rated "incompetent" — it can take more than a year to dismiss you.

And to earn that tenure — that job security — in today's system basically the only thing you have to do is show up for four years. Do that, and tenure is yours.

The bottom line? Today tenure is too easy to get and too hard to take away.

I propose we do it a different way. I propose we hold every teacher to a standard of excellence.

Under my proposal, tenure will have to be earned and re-earned. Not earned simply by showing up for work — earned by meeting certain objective performance standards, including student performance, school performance, and parent and peer reviews.

And my proposal says, you should not only have to prove your effectiveness once, after just a few years in the classroom. My proposal says that if you want to keep that tenure, you should have to continue to prove your effectiveness in the classroom as your career progresses.

I'm trying to be careful in explaining this tenure reform proposal because I know there are those who will deliberately mischaracterize it in order to scare teachers. So let me be very clear: we are not talking about taking away teachers' rights to a fair process if an objective, data-driven decision is made to remove them from the classroom.

I believe deeply in due process.

I believe just as deeply that we need to ensure that our children are being taught only by very good teachers.

So for those teachers who earn tenure – by proving that they are effective teachers – it’s the job of the local school district to make sure that you have every chance to continue to succeed. That means that if you start to struggle at any point after you’ve earned tenure, the district will provide support and professional development to help get you back on track.

And finally, my proposal says that we need to do a better job of recognizing our great teachers. That’s why I’m proposing to allow local school districts, if they so choose, to provide career advancement opportunities and financial incentives as a way of rewarding teachers who consistently receive high performance ratings.

Over the next few weeks, we’ll continue to have this discussion about tenure and I’m confident we can put in place a system that best serves our students, and their teachers.

Now let me be clear: in having that discussion, Connecticut will not join the states trying to demonize and antagonize their way to better results.

And we won’t get drawn into making a false choice between being pro-reform or pro-teacher.

I’ve said this before and I’ll say it again, I am both.

I’m pro-teacher, as long as that doesn’t mean defending the status quo, and I’m pro-reform, as long as that isn’t simply an excuse to bash teachers.

There are 45,000 public school teachers in this state. Most of them are good teachers. Many of them are great.

Listen, I know teachers can be great because as a young student, many years ago, I had some great teachers. They took a boy born with severe learning disabilities – a boy who had great difficulty reading and writing, a boy who struggled to process information – and they worked with him.

Patiently. Hard.

And over a long period of time they helped me overcome those disabilities.

Those teachers, and the support of my mother, are responsible for me standing here today as your Governor.

No, we cannot and will not fix what's broken in our schools by scapegoating teachers. But nor can we fix it if we do not have the ability to remove teachers who don't perform well in the classroom in a timely fashion.

In this new system, tenure will be a privilege, not a right. It will be earned and retained through effective teaching, not by counting years of service.

This is the year to reform teacher tenure. Let's get it done.

So there it is: that's my vision for Connecticut. That's what I see in our future: an economic revival.

Some people will surely say an economic revival is beyond our grasp, that I'm asking too much, that I'm setting an expectation that is too high.

They'll say we should be content to just make progress.

I say those people are dead wrong.

I say setting high expectations is exactly what we should be doing.

I say that if we work together – all of us – we can make an economic revival a reality.

We should not approach this effort as Democrats or Republicans. We should approach it as public servants with a duty to fulfill.

I know it's possible for us to do this because we just did it a few months ago – when we put our partisan differences aside to pass and sign into law the best jobs package of any state in the nation.

I met with leaders from both parties right over there, in my office, for weeks, for many hours at a time. We argued, we laughed, we got frustrated. We did a lot of things in those weeks. Mostly, we worked together.

And when it was done, almost every elected official in this building voted for a jobs package that is already creating jobs and will create thousands of jobs for years to come.

Now it's time to do it again.

Much of what we need to build this economic revival is already here in our great state. There is beauty in our parks, our hills, our beaches. Our cultural institutions are rich with the history of our nation's founding fathers, and the Connecticut-born heroes who followed them.

We have world-class colleges and universities where young men and women unlock the doors of knowledge and allow their minds to expand.

We have proud cities that reflect the diversity that is our strength. And we have beautiful small towns, where life remains simple, and good.

But most of all, Connecticut is home to many good and decent people – people from all walks of life, people who work hard. People who are respectful of others, and who do not discriminate based on gender, age, race, religion, ethnicity, disability, or sexual orientation.

These people deserve this economic revival. They have earned it. And it is our job to give it to them.

Thank you, may God bless you, and may God bless the great State of Connecticut.

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