



Dannel P. Malloy
GOVERNOR
STATE OF CONNECTICUT

May 15, 2018

Dear Honorable Members of the General Assembly:

Today I am signing Senate Bill 543, *An Act Concerning Revisions To The State Budget For Fiscal Year 2019 And Deficiency Appropriations For Fiscal Year 2018*. This bill makes modifications to the second year of the biennial budget and deficiency appropriations for agencies in the current fiscal year.

I once again commend the legislature for this bipartisan effort and for accomplishing the adoption of the budget on time. You have given our cities and towns, our non-profit providers and others who depend on state services an added degree of certainty and predictability as the new fiscal year approaches. This budget contains a number of things to be proud of, such as shoring up the Special Transportation Fund in the short term, thereby avoiding drastic commuter fare increases and devastating service cuts. This budget also ensures that the next Governor and the next legislature will have a positive balance in the Budget Reserve Fund, which is a sharp contrast to how my Administration arrived in Hartford facing a depleted Rainy Day Fund and a \$916 million short-term loan to repay.

However, I also sign this bill with the same caution I gave on the closing night of the session and that I have been sounding since I began my term as Governor in 2011. Connecticut must focus on fiscal discipline and restraint today and in the years ahead. As such, it is important that we also note where the state must continue to make positive budgetary change if we intend to continue shoring up our budget reserves and preparing for whatever comes next.

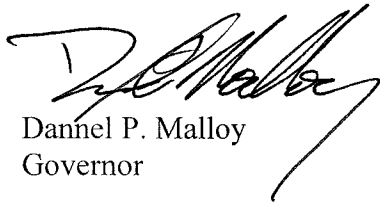
The state will end Fiscal Year 2018 without having closed its \$386.7 million deficit. On December 13, 2017, I put before you a deficit mitigation plan with a number of options that the General Assembly could have taken to eliminate the deficit, including hundreds of millions of dollars in recurring spending and revenue changes. Unfortunately, the lack of legislative action for the current fiscal year means that we must tap the budget reserve fund to close that gap. Of course, this is compounded by the use of more than \$383 million from our reserves to balance the budget for next year.

Simply put, the state cannot spend more than it can afford. This new budget adjustment spends \$197.2 million more than the original budget for Fiscal Year 2019. It restores and expands various health and human service programs, outpacing benefits provided to levels well above those in our neighboring states and resulting in some of the most generous benefits in the nation. Critically, it does so without making the accompanying difficult decisions to reduce spending in other areas of the budget in order to afford these benefits. We all strive to make Connecticut a fairer, healthier and more just place to work and live, but in this worthy pursuit, we cannot risk our fiscal stability. In other words, if Connecticut believes it should provide a high level of services to its residents, it is incumbent upon lawmakers to pay for those services either through offsetting cuts elsewhere in the budget, or through new revenue.

This budget adjustment also fails to address the out-year deficits compounded and exacerbated by the adoption of the underlying budget last year, something I warned about in my signing statement of October 31, 2017. As adjusted, this budget spends \$185.3 million in one-time revenues on on-going programs. We now face out-year deficits of \$1.96 billion in Fiscal Year 2020, growing nearly \$600 million per year thereafter, and we leave the budget reserve fund at \$1.16 billion by the end of Fiscal Year 2019. This is significantly below what is needed to meet the challenges of the next recession, which, by many measures, is overdue. Once again, the General Assembly needs to take manageable steps now to rein in out-year deficits.

Despite these concerns, this budget contains many things to be proud of, it was adopted on time, and I am hopeful that its problems can be addressed through careful executive management as well as further action by the General Assembly in the years ahead.

Sincerely,



Dannel P. Malloy
Governor