

STATE OF CONNECTICUT
EXECUTIVE CHAMBERS

DANNEL P. MALLOY
GOVERNOR

GOVERNOR'S OFFICE

September 28, 2017

BILL NOTIFICATION
RELEASE No. 18

For Immediate Release

Governor Dannel P. Malloy vetoed the following legislation of the 2017 June Special Session on September 28:

HB 7501 AN ACT CONCERNING THE STATE BUDGET FOR THE BIENNIUM ENDING
JSS PA 17-1 JUNE 30, 2019, APPROPRIATIONS AND IMPLEMENTING PROVISIONS
THEREFOR AND AUTHORIZING AND ADJUSTING BONDS OF THE STATE
FOR VARIOUS PURPOSES.

This bill had various effective dates. The Governor vetoed the bill. Scroll down to read the veto message.

As of this date, the Governor has signed two hundred sixty two (262) bills and vetoed four (4) bills of the 2017 Legislative Session. The Governor has vetoed one (1) bill of the 2017 June Special Session.



Dannel P. Malloy

GOVERNOR
STATE OF CONNECTICUT

September 28, 2017

The Honorable Denise W. Merrill
Secretary of the State
30 Trinity Street
Hartford, CT 06106

Dear Madam Secretary:

I hereby return, without my signature, House Bill 7501, *An Act Concerning the State Budget For the Biennium Ending June 30, 2019, Appropriations and Implementing Provisions Therefor and Authorizing and Adjusting Bonds of the State For Various Purposes*. This bill would implement a budget for the 2017-2019 biennium. Unfortunately, this budget does not balance, risks potential litigation, and undermines our fiscal stability, educational system, and economic development efforts.

This budget adopts changes to the state's pension plans that are both financially and legally unsound. Prior administrations and legislatures have, over decades, consistently and dangerously underfunded the state's pension obligations, amassing an unfunded debt obligation that has increasingly stymied our ability to make the key investments necessary to strengthen and grow our economy: education, transportation and economic diversification. Since 2011, my administration and a legislative majority, working together, have put us on the right track by paying down unfunded liabilities, fully funding the pension obligations of current employees, and making historic agreements with labor that save taxpayers tens of billions of dollars in the coming decades. This budget would reverse that progress.

The bill makes prospective unilateral changes to vested pension benefits, creating significant risk of a constitutional challenge, as well as exposure to potential litigation and hundreds of millions of dollars of liability. It is a road Connecticut has been down before; the state is already paying hundreds of millions in penalties for a similarly foolhardy approach taken by a previous governor. Furthermore, the potential financial consequences of this maneuver increase exponentially when used as the basis to avoid meeting our obligations to fund our pensions.

This budget grabs "savings" today on the false promise of change a decade from now, a promise that cannot be made because no legislature can unilaterally bind a future legislature. It eliminates \$144 million in pension contributions this fiscal year, \$177.8 million next year, and hundreds of millions of dollars in the years to come, solely by seeking to limit the state's authority to enter

into future agreements over pension benefits. Disguised as ‘structural reform,’ these changes echo poor decisions of Connecticut’s past, when the state failed to make full payments on our existing commitments. The 2017 SEBAC labor agreement, approved by a majority of the legislature, included structural reforms to the pension system by capping the impact of overtime in pensions for all new employees. This budget included the same provisions for limiting overtime, but in a manner that guarantees litigation will ensue. Through these fiscally irresponsible changes, this budget would fail to move the state closer to fully funding our pension obligations, a stated goal of legislative leaders in both parties.

In a similar gimmick, this budget diverts teachers’ pension contributions to the general fund while at the same time offering no solution to reform funding for the teachers’ pension system, potentially leaving future taxpayers at the precipice of a fiscal cliff that could reach as high as \$6 billion. The diversion of the teachers’ retirement contributions from the teachers’ retirement fund creates significant potential tax consequences for the employees and jeopardizes the tax status of the entire retirement fund.

In addition to failing to address our pension obligations honestly, this budget undermines our efforts to grow our economy and our tax base. It would do lasting harm to our increasingly competitive K-12 and higher education systems, as well as our efforts to create a highly trained, capable workforce. This budget falls short in addressing the irrational and unfair Education Cost Sharing formula, and instead exacerbates the inequities of the current system. It purports to increase education funding, but cuts targeted aid for teacher training, student literacy, and programs for struggling districts and schools that tie funding to accountability. Cuts to Connecticut’s neediest towns are used to pay for increases to the wealthiest communities. For example, Salisbury would gain 29 percent in total town aid, while Waterbury would lose 5 percent.

Beyond its damage to our K-12 education system, the proposed budget also makes cuts to higher education that our universities, community colleges, and economy cannot absorb. It cuts nearly hundreds of millions of dollars more from UConn, recently ranked as the 18th best public university in the nation. Its proponents slash funding, then challenge the university to find funding for critical programs elsewhere, rejecting the realities of competition for top-notch students and faculty, fundraising limitations, and collective bargaining rules. It also cuts \$93 million from the state universities and community colleges, which are critical to training the skilled employees that our businesses need. Finally, it eliminates any new scholarships for Connecticut’s neediest students. Taken together, these cuts to higher education will inevitably lead to drastic tuition increases, fewer seats for in-state students in Connecticut colleges and universities, and a substantial decline in the paying population of students at our community colleges.

In the area of town aid, this budget spins a false narrative about how much funding municipalities would gain. While proponents of this bill claim that it increases funding to municipalities, it achieves this purported increase only by understating 2017 town aid totals by more than \$60 million, failing to account for state reimbursements to municipalities under the car tax cap. In reality, when town aid totals are compared to the actual numbers and all line items are added up, municipalities that need help the most will not get it. Hartford, for example, would

lose \$6.8 million at a time when its financial future is in peril, almost certainly forcing it into bankruptcy.

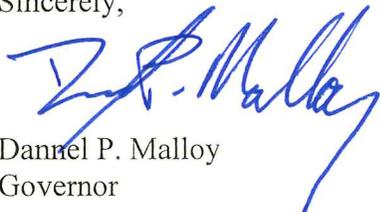
In fact, taking help away from those with the greatest need is a common theme in this budget. It deprioritizes areas where we have made significant progress in helping our most vulnerable residents, such as affordable housing, fighting homelessness, assistance to the elderly, and critical early childhood programs. In addition to dismantling highly successful energy policy reforms, it sweeps funding from the nationally acclaimed Connecticut Green Bank, diverting money from a surcharge that helps businesses and homeowners transition to clean, renewable energy. The budget also fails to lay the groundwork for the state's future success as it contains no plan to stabilize the Special Transportation Fund, endangering our ability to maintain and improve critical transportation infrastructure – a key factor that companies consider when choosing to maintain and grow their businesses in Connecticut.

In sum, this budget is unbalanced, unsustainable, and unwise. It cuts hundreds of millions of dollars from our colleges and universities, endangering our economic competitiveness; it creates the near-certainty that our capital city will be plunged into bankruptcy; and it eviscerates proven funding and improvement programs for school districts with the greatest needs while sending more money to the wealthiest towns. It creates the illusion of fiscal responsibility, but what lurks behind that illusion is increased fiscal uncertainty, perilous constitutional and contractual risks, and a reversal of the real reforms we have made. Like so much of Connecticut's past fiscal decision-making, it sacrifices our state's future prosperity in order to achieve an ostensible short-term fix.

I cannot overstate the urgency of the need for all parties to come together to negotiate a realistic, responsible budget that addresses our state's fiscal issues, distributes education aid equitably, and balances without the use of illusory gimmicks. And I must note that failure to reach a deal soon could risk federal approval for \$343.9 million in increased provider tax revenue and \$366.5 million in federal Medicaid reimbursement, which are critical to balancing the budget and increasing reimbursements to providers. I remain committed to engaging in honest dialogue with legislative leaders to reach an agreement that achieves these goals.

For all of these reasons, I disapprove of House Bill 7501, *An Act Concerning the State Budget For the Biennium Ending June 30, 2019, Appropriations and Implementing Provisions Therefor and Authorizing and Adjusting Bonds of the State For Various Purposes*. Pursuant to Section 15 of Article Fourth of the Constitution of the State of Connecticut, I am returning House Bill 7501 without my signature.

Sincerely,



Dannel P. Malloy
Governor