



The Office Of State Treasurer  
Denise L. Nappier

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## Statement

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### **Treasurer Nappier Commends Governor Malloy's Budget Announcement**

Governor Malloy's proposal to direct \$100 million of the State's surplus to its pension funds is a commendable step toward reducing our long term liabilities. I have long said that the surest path toward improving the funding status of the pension plans is for the State to contribute 'ARC Plus' – that is, more than 100 percent of the actuarially recommended contribution. After decades of paying less than what the actuaries have said is necessary, the unfunded pension liability has mushroomed -- with these additional monies, we can invest and generate returns over the long run, which will lighten future tax burdens.

The deposit of \$250 million into the Rainy Day Fund, coupled with an increase in the size of the fund, is also positive. I would strongly urge that any additional surplus realized during the remainder of the fiscal year be likewise dedicated to the Rainy Day Fund in order to further bolster this important safety net, as a key factor in determining the State's credit worthiness.

I applaud the Governor for seeking to responsibly deploy the surplus toward long term liabilities and rebuilding reserves. The modest tax refunds he suggests represent a sharing of the good fortune with those who worked so hard to create it. I therefore urge the General Assembly to support Governor Malloy's proposal.

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#### **GOV. MALLOY: STATE MUST SAVE FOR THE FUTURE WHILE PROVIDING MODEST TAX RELIEF TODAY**

*Three Point Plan Will Bolster the Rainy Day Fund, Pay Down Long-term Debt, and Provide Tax Relief for Residents*

(DERBY, CT) – Governor Dannel P. Malloy today announced a three-point plan for responsible fiscal management of the state's current surplus – one that bolsters the rainy day fund, makes a substantial payment on long term debt, and provides modest tax relief for residents.

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“Connecticut has faced more than its share of challenges over the last few years. Now that things are beginning to improve, it’s critical that everyone shares in the recovery,” Governor Malloy said at a news conference in Derby, where he announced the proposal. “The plan I’m laying out today takes the responsible path. It puts money in the rainy day fund so that we can be prepared the next time we face financial challenges. It puts additional money into our pension fund so we can pay down our long term debt. And it provides a modest refund for residents who have faced more than their fair share of obstacles.”

Current estimates put the surplus at approximately **\$505 million dollars**. The Governor’s plan would:

- ✓ **Bolster the Rainy Day Fund** by depositing **\$250 million** into the Budget Reserve (or “Rainy Day”) Fund. This would bring the balance of the fund to more than \$520 million. Just three years ago, the fund had been completely depleted. The Governor would also increase the maximum size of the fund by raising the cap from 10% to 15% of state revenue.
- ✓ **Pay Down Long Term Debt** by making an additional **\$100 million** payment toward the state’s pension fund. Over 20 years, at an 8% rate of return, this deposit will grow to (and save taxpayers) more than \$430 million.
- ✓ **Provide Sales and Gas Tax Refund** by issuing a targeted gas and sales tax refund to Connecticut taxpayers, including individuals who receive Social Security income and do not file. The refund will return \$55 to individuals earning less than \$200,000 and \$110 to joint filers earning less than \$400,000, pumping **\$155 million** into Connecticut’s economy and local businesses.

The Governor also announced that he will introduce legislation in the coming session that would mandate that any surplus in future years be used for these three specific purposes:

- 1) bolster the rainy day fund
- 2) pay down long term debt
- 3) provide some measure of tax relief

“The budget proposal we are introducing creates a sustainable budget framework that will enable the state to achieve balanced budgets in the coming years and put our state on a path towards strong financial footing,” Governor Malloy said. “We are creating a solid foundation that supports necessary services while allowing for potential further reductions in taxes in the coming years.”

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