CONNECTICUT VOICES FOR CHILDREN

NEWS RELEASE

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"Quick fix" state budget solutions continue to put children at risk

Report warns of need for long-term, sustainable solutions

On the eve of the 2004 legislative session, a new report warns that the quick fix budget solutions adopted by Connecticut in recent years are deepening the state's long-term budget deficits and further endangering services for children and families. The report from Connecticut Voices from Children looks at the cumulative impact of budget changes in recent years. Among the report's findings:

Dramatic spending cuts have already hurt children and families. Connecticut has cut spending despite an increase in its population generally, and an increase especially among residents who rely on state-funded services (e.g., school children, seniors and the disabled, and persons who have lost their jobs). In fact, many services integral to the well-being of the state's children, youth and families are receiving *less* funding in the current fiscal year (FY 04) than they did two years ago (FY 02), even without adjusting for inflation. Incremental but continual spending cuts have dramatically scaled back state-funded services, including in:

- Office of Policy and Management (FY 04 budget 46% less than FY 02 spending)
- Office of Workforce Competitiveness (40% cut),
- Department of Higher Education (33% cut),
- Department of Labor (28% cut),
- Department of Public Health (17% cut), and
- Department of Environmental Protection (13% cut).

Connecticut has relied heavily on quick fix budget solutions that are creating major, long-term budget deficits. Since November 2001, Connecticut has addressed more than $3.6 billion in cumulative deficits, and nearly $1 billion of this has been in *mid-year* spending cuts alone. About half of all deficit reduction has been through one-time revenues, fund transfers, and borrowing. As the state uses up these short-term fixes, the long-term budget crisis only worsens. Less than one-quarter of the cumulative deficit has been addressed through permanent tax increases that provide *on-going* revenues.

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Cumulative Deficit Mitigation: FY 02-FY 04	Amount	% of Total
One-time revenues/fund transfers	$1,456M	40%
Mid-year spending cuts (NOTE: *Additional* funding reductions were included in the revised FY 03 budget and the FY 04 & FY 05 budgets)	$953M	26%
Permanent tax increases	$849M	23%
Delays in implementation of enacted tax cuts	$37M	1%
Borrowing	$345M	10%

Despite very modest state spending growth, the use of one-time revenues to balance the budget, combined with $2.1 billion in tax cuts in the late 1990s, has resulted in a "structural deficit" – a growing gap between projected revenues and spending. The legislature's Office of Fiscal Analysis reports that the use of more than $390 million in one-time revenues to balance the upcoming year's budget (FY 05) is a major contributing factor in the projected $700 million FY 06 deficit, even if the economy improves.

Restoring some of the $2 billion in tax cuts made during the Rowland administration could close the budget gap without further hurting Connecticut families. Despite tax increases in the past three years (and primarily in the past year), Connecticut residents and corporations will still be paying a billion dollars *less* in taxes in FY 04 than they did in 1995.

The tax burden continues to shift from corporations to individuals. New FY 04 revenues resulting from permanent tax increases enacted in the last three years primarily come from tax and fee increases on individuals, rather than corporations.

- More than three-quarters of the personal income tax cuts made since Governor Rowland was elected have been rolled back; the cigarette tax rate hike further increases taxes paid by individuals.
- By comparison, less than one-quarter of the corporate tax cuts made in the late 1990s have been rolled back permanently; sales taxes on various business services have been cut even after deficits began.

"We're passing today's budget problems on to the next generation by cutting our investment in our kids and borrowing against their future," said Shelley Geballe, author of the report and Co-President of Connecticut Voices for Children. "Raising more on-going revenues is essential to assure adequate investments in our kids – our collective future. Raising these revenues from the corporate and individual taxpayers who benefited the most from recent federal tax cuts and the booming 1990s is fair."

"Many of these cuts are penny-wise and pound-foolish", said Ellen Scalettar, Senior Policy Fellow at CT Voices. "For example, Connecticut plans to cut off kids from lower-wage families from the HUSKY health insurance program if they can't afford new premiums. Thousands of kids will become uninsured. This means we'll be shifting the costs of their health care to other, more expensive settings like hospital emergency rooms. We'll also be turning away millions of federal dollars that help cover the cost of health care."

Connecticut Voices for Children is a research-based policy and advocacy organization for children and families. For more information or a copy of the report, *Connecticut's FY04 Budget: A Summary & Contextual Analysis*, see the CT Voices Web site at www.ctkidslink.org.

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