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Connecticut Residents Could Lose Up To \$386 Million In Federal Funding Under U.S. House Budget Plan

***Most Program Cuts Would Pay for Tax Cuts for Wealthy,
Would Actually Increase Federal Deficit***

Connecticut's share of federal funding cuts in key programs that assist our state's low-income elderly residents, families with children, and people with disabilities could be as much as \$386 million over the next five years under the budget plan the House passed earlier this month, a new report by the Washington D.C.-based Center on Budget and Policy Priorities finds. If these cuts are made, a substantial number of vulnerable Connecticut residents could lose necessities like health care, child care, and food assistance — and some struggling working families could even face higher taxes — at the same time that affluent households across the nation would receive large tax breaks.

Nationwide, the House budget plan could result in an estimated \$30 billion to \$35 billion in cuts in key low-income “mandatory” (also known as “entitlement”) programs that assist vulnerable Americans, such as the elderly and children. These cuts are *at least ten times larger* than the cuts proposed in the Senate budget plan.

Because the House and Senate are far apart on this matter, cuts in low-income mandatory programs will be a key issue when House and Senate negotiators try to agree on a final budget plan in April. The House and Senate budget plans are much closer on the issue of tax cuts: both include more than \$100 billion in tax cuts, primarily for *upper-income households*. Both plans also contain significant reductions in funding for domestic non-entitlement (also known as “discretionary”) programs and significant increases in defense spending.

Although the House budget plan includes up to \$5 billion in food stamp cuts, it finds room for more than \$10 billion in tax cuts for people with incomes of over \$1 million under the capital gains and dividend provisions alone.

Connecticut Voices for Children has been working with a coalition of dozens of Connecticut organizations representing a broad range of groups concerned about the impact of the federal

budget on Connecticut's children, families, seniors, businesses, health care, housing, schools, colleges, environment, veterans, women, and other groups and services. The coalition has called on the Connecticut Congressional delegation to

- Oppose the huge cuts in federal funding proposed by the U.S. House and Senate, and the President.
- Support a balanced approach to deficit reduction that includes reversing tax cuts for the wealthiest Americans, rather than only cutting spending. Tax cuts exceed spending reductions in current federal budget proposals, enlarging the federal deficit.

Members of the Coalition

- Recently had a successful meeting with Senator Joseph Lieberman, who expressed concern about the impact of the federal budget on Connecticut and his commitment to make it one of his top three priorities.
- Are scheduled to meet soon with Representatives Christopher Shays and Nancy Johnson to urge them to use their influence with their colleagues to minimize the federal budget's damage to Connecticut. (All of Connecticut's Congressional delegation except Rep. Nancy Johnson voted against the Budget Resolution.) The group will be scheduling meetings with the rest of the state's Congressional delegation.

“Our Congressional delegation – from both sides of the aisle – needs to stand up for Connecticut and continue to press for a balanced approach to federal deficit reduction. Cutting spending alone is not fair, good for the economy, or good for Connecticut. A balanced approach also would call for rescinding some of the tax cuts that have benefited the wealthiest families, while reducing the severe cuts proposed that would truly threaten our state's well-being,” said Shelley Geballe, President of Connecticut Voices for Children.

“At a time when the Connecticut legislature must close a \$1.2 billion state budget hole, we cannot lose these federal dollars,” said Ellen Scalettar, Senior Policy Fellow at CT Voices for Children. “These budget proposals shift federal budget problems onto the states when we can least afford them.”

Medicaid, Food Stamps, EITC, Other Programs Could Face Reductions

The cuts in low-income programs in the House budget plan would come from Medicaid, Food Stamps, and a set of programs overseen by the House Ways and Means Committee, such as the Earned Income Tax Credit (EITC), the Supplemental Security Income program (SSI), Temporary Assistance for Needy Families (TANF), and child care. **The Center on Budget and Policy Priorities estimates that as a result of these cuts, Connecticut residents could lose over five years:**

- Between \$166 and \$223 million in Medicaid funding. Roughly 377,000 children, seniors, people with disabilities, and other Connecticut residents rely on Medicaid for their basic health care.
- \$28.4 million in EITC benefits. Roughly 158,000 working families in Connecticut receive the EITC, which provides low-wage workers with tax relief and wage supplements. The EITC lifts more children out of poverty than any other federal program.

- \$33.6 million in SSI benefits. Roughly 51,000 poor elderly and people with disabilities in Connecticut receive modest monthly SSI payments to help them cover their basic expenses.
- Up to \$42 million in Food Stamps. Roughly 196,000 Connecticut individuals receive food stamp assistance that helps them afford a modest, nutritionally adequate diet.
- \$38.4 million in TANF funding, which Connecticut uses to provide income assistance and welfare-to-work programs for 56,000 state residents, as well as child care.
- \$11.8 million in foster care and adoption assistance funding. Each month, these programs provide assistance to 4,600 children in foster and adoptive families, fund efforts to find appropriate foster care placements for children, and prepare older children living in foster care for independent living.

Program Cuts Would Be Used to Help Pay for New Tax Cuts, Not to Reduce the Deficit

“What makes these cuts even more disturbing is the fact that they wouldn’t bring down the deficit, in part because Congress also is pushing for more tax cuts tilted toward high-income households,” said Sharon Langer, Senior Policy Fellow at Connecticut Voices for Children. Both the House and Senate budget plans would cause deficits over the next five years to be more than \$100 billion larger than they would be if no policy changes were made. The reductions in assistance for poor Connecticut residents would be used in part to help finance tax cuts going disproportionately to those on the upper range of the income scale.

For example, the House budget plan would use \$23 billion to extend existing tax cuts related to capital gains and dividends for two more years, through 2010. (These tax cuts currently are slated to expire at the end of 2008.) That cost is equal to about two-thirds of all cuts in low-income mandatory programs in the House budget plan.

Nearly half of the tax cut benefits of extending the capital gains and dividend tax cuts, however, would go to households with annual incomes of more than \$1 million. These very high-income households would receive an average annual tax cut of \$10,000 each from extending these tax cuts, on top of the more than \$90,000 a year each they already receive from other tax cuts enacted since 2001.

The report was released by the Center on Budget and Policy Priorities, a Washington DC-based, nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs, in partnership with Connecticut Voices for Children, a statewide, research-based policy and advocacy organization for children and families (www.ctkidslink.org). The report, *House Budget Resolution Would Require Much Deeper Cuts In Key Low-Income Programs Than Senate Budget Plan*, can be found on the Center’s Web site at www.cbpp.org.

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