

# FISCAL POLICY CENTER

At Connecticut Voices for Children



**Testimony Regarding Governor's S.B. 843**  
*An Act Concerning Revenue Items to Implement the Governor's Budget*  
Finance, Revenue, and Bonding Committee  
Wade Gibson, J.D.  
Senior Policy Fellow  
March 4, 2013

Senator Fonfara, Representative Widlitz, Senator Frantz, Representative Williams, distinguished members of the Committee:

My name is Wade Gibson. I am a Senior Policy Fellow in charge of the Fiscal Policy Center at Connecticut Voices for Children. The mission of the Fiscal Policy Center is to promote the best interests of Connecticut's young people in the state and federal budgets. I am testifying here today regarding Governor's S.B. 843, which would implement the revenue items contained in Governor Malloy's proposed budget. **I urge you to adopt a more balanced approach that includes revenues to offset the harmful cuts proposed to our children and future.**

Two years ago, we constructed a budget built on optimistic expectations for economic recovery and ambitious savings from fiscal reforms. Today, we must deal with the fallout as both recovery-fueled revenues and reform-driven savings fell short of expectations. How can Connecticut sustain momentum in education reform, or continue to close the GAAP deficit? To a large extent, the Governor has relied on borrowing, shifts in municipal aid, and cuts to programs that help our most vulnerable families. He would borrow \$750 million to close the GAAP deficit, cut non-education aid to towns by \$93 million, and eliminate HUSKY coverage for 40,000 parents who would have to find the money to buy coverage on the new health exchange.

**Connecticut does not have to levy cuts to vital public services—we can take a more balanced approach that includes revenues.** We can, for instance, offset the \$21 million cut to the EITC by scaling back the property tax credit for six-figure earners, or by slightly raising the income tax on seven, eight, and nine-figure ones. Connecticut's top bracket remains well below New York's rate, which was not lowered to 6.85% as we anticipated two years ago. If we raised taxes on income over \$1 million dollars, we would generate over \$400 million, which could protect HUSKY parents from steep bills for coverage on the new exchange, college students from the twin impacts of tuition hikes and scholarship cuts, and towns from having to levy further harsh cuts at the local level.

**It is hard to defend asking the most from those with the least to give.** Cutting the EITC means raising taxes on families making \$18 thousand but not \$18 million, on families who spend nearly every dollar in their communities versus families who send much of their incomes out of state and offshore. The 200,000 children in EITC families could face an array of cuts: not only to the EITC, but also to their parent's health coverage, their school's health clinic, and their city's police and fire protection.

**The children who will pay for the proposed cuts are the future of our state.** Since the start of the recession, Connecticut child poverty has increased by 34%: 30,000 more kids now live in poverty. The proposed cuts would further threaten the futures of Connecticut’s children, while the proposed borrowing would defer current obligations onto the same upcoming generations of workers, leaders, and parents who will face the brunt of cuts today.

**Fortunately, there are better options than deep cuts.** There are a host of revenue options that would more than offset the cuts proposed by the Governor, including:

<b>Proposed Cuts</b>	<b>Savings (FY14)</b>	<b>Revenue Options</b>	<b>Offsets (FY14)</b>
State earned income tax credit	-\$21M	Adjust property tax credit phase-out	+\$25M
HUSKY parent health coverage	-\$60M (FY15)	Raise cigarette tax to NY level	+\$75M
School-based health centers	-\$3M	Require combined reporting	+\$90M
Public school transportation	-\$20M	Tax sugared drinks \$0.01/ounce	+\$145M
PILOT for state-owned property	-\$74M	Raise taxes on income over \$1M	+\$400M
<b>TOTAL</b>	<b>-\$178M</b>	<b>TOTAL</b>	<b>+\$735M</b>

I respectfully urge you to consider revenues as part of a balanced approach to closing the deficit. Thank you for your time. I look forward to your questions.