

FISCAL POLICY CENTER

At Connecticut Voices for Children



Valuing Our Children: How the Final Fiscal Year 2015 Budget Revisions Impact Connecticut Wade Gibson, J.D.

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I. Introduction

Budgets are statements of public values in number form. Each year, our elected leaders engage in a deliberative process to allocate state resources in a way that quantifies the relative importance of various programs, services, and investments in our future. Earlier this year, Connecticut Voices for Children released a [report](#) that analyzed state spending and found a large shift in the past two decades away from support for children and families. In fiscal year 1992, 40% of the state budget went to young people. Today, only 30% goes to the young, threatening the longstanding exchange among generations, whereby each generation invests in its children with the expectation that those children will prosper and take care of it in old age. Diminished investment in the education and health of today's children puts tomorrow's prosperity at risk.

Connecticut Voices created the “Children’s Budget” to call attention to and begin reversing this trend. We now track this share of state spending that directly benefits young people every year—from the Governor’s proposal through the final, enacted product—as part of our work to increase current investments in children and families. **This analysis of the final budget revisions for fiscal year (FY) 2015 finds positive movement in the state’s commitment to young people: the revisions increase the Children’s Budget by \$56 million over the \$6.247 billion passed last year, most notably with nearly \$30 million for the Office of Early Childhood to increase access to quality early care and education.**

At the same time, however, the state’s delicate economic and fiscal conditions, including slower-than-expected growth in tax revenues, nearly erased an expected half-billion dollar surplus for FY 2014 and led state leaders to engage in questionable budget practices to balance the FY 2015 budget. Out of the FY 2014 surplus, the state managed to commit only \$38 million to the Budget Reserve Fund, whose balance of \$309 million offers little cushion should the state’s economy falter. Moreover, to balance the FY 2015 budget, lawmakers relied on the last-minute “discovery” of \$75 million in miscellaneous tax receipts, a decision not to budget \$52 million for public retiree health expenses projected by both the Comptroller and Office of Fiscal Analysis, and other problematic practices such as raids of dedicated funds outside the General Fund.

As the state approaches the 2014 election and a 2015 legislative session in which the state looks likely to face multibillion-dollar deficits, it is crucial policymakers build on the commitment to children demonstrated in the budget revisions just enacted, and pair that commitment with more sustainable budget practices. Connecticut must ensure that when the next recession comes, the resulting deficits do not undo the progress we have made reinvesting in children and the generational exchange central to our prosperity.

II. Changes to the Children’s Budget

The Children’s Budget fared well in the final budget revisions for FY 2015, increasing by approximately \$56 million over the version passed last year. This increase is driven largely by a \$29.6 million increase in funding for the Office of Early Childhood, the new state agency responsible for improving quality and access in early care and education, as well as \$28 million for the State Department of Education and \$22.8 million for the Board of Regents. These increases are partially offset, however, by a \$12.5 million decrease in the budget of the Department of Children and Families, as well as a \$2.5 million reduction in HUSKY B (CHIP) and a \$4.6 million reduction in Temporary Assistance for Needy Families (TANF).

	FY 1992 Enacted	FY 2015 Original	FY 2015 Revised
Young Children			
State Department of Education	\$1,345,283,514	\$3,006,409,170	\$3,034,407,695
Office of Early Childhood	\$0	\$241,302,342	\$270,886,867
Department of Children and Families	\$176,563,960	\$827,548,883	\$815,057,739
DSS Medicaid (for children and parents ¹)	\$349,149,277	\$1,167,584,703	\$1,162,331,623
DSS TANF	\$398,487,093	\$112,058,614	\$107,458,614
DSS HUSKY B (CHIP)	\$0	\$30,540,000	\$28,036,000
DSS CT Children's Medical Center	\$0	\$15,579,200	\$15,579,200
DDS Early Intervention	\$4,451,180	\$37,286,804	\$39,186,804
DDS Voluntary Services	\$0	\$32,376,869	\$32,719,305
DOL Jobs First	\$22,565,019	\$18,660,859	\$18,581,271
DPH School-Based Health Clinics	\$493,594	\$12,638,716	\$11,848,716
Youth			
Board of Regents	\$252,043,496	\$315,567,932	\$338,333,311
University of Connecticut	\$183,887,231	\$229,973,979	\$229,146,757
Office of Higher Education	\$23,310,473	\$48,678,842	\$47,067,861
DOL Workforce Investment Act	\$16,868,976	\$28,481,350	\$31,284,295
DMHAS Young Adult Services	\$0	\$75,866,518	\$74,537,055
JUD Juvenile Alternative Incarceration	\$0	\$28,367,478	\$28,442,478
JUD Youthful Offender Services	\$0	\$18,177,084	\$18,177,084
Total Children’s Budget	\$2,773,103,813	\$6,247,099,343	\$6,303,082,675
General Fund²	\$6,981,840,854	\$20,861,044,936	\$20,790,285,039
Percent of General Fund	40%	30%	30%

III. Education

The budget revisions increase funding for *early care and education* by nearly \$30 million, with the ultimate goal of achieving universal access to pre-kindergarten. The final budget allocates \$78.2 million to programs receiving School Readiness funding in Priority School Districts (up from \$74.3 million in originally appropriated FY 2015 funds), as well as \$11.2 million to programs receiving School Readiness funding in Competitive Schools Districts (up from

¹ This figure includes only the portion of Medicaid spent on children and their parents (20-25% of total spending). Data on the share of Medicaid dollars spent on different age groups are available only back to the late 1990s, and these data (from the federal Department of Health and Human Services) do not distinguish between adults with and without children—a highly relevant distinction given the recent Medicaid expansion. The apportionment used here is, therefore, an estimate, although the best possible given data limitations.

² Starting in FY 2014, the state has removed the federal share of Medicaid (about \$3 billion) from the General Fund in order to comply with the state’s spending cap. To ensure comparability with prior years, this analysis includes the federal share of Medicaid in “General Fund” spending for FY 2015.

\$6.8 million in originally appropriated funds). These funding increases include the cost of 1,020 new slots as well as a 3.88% rate increase for full-day, full-year slots (from \$8,346 to \$8,670). In addition, the budget includes about \$1.3 million to create and expand classrooms to accommodate new slots.

Care4Kids, Connecticut's child care voucher program for working families, also sees an increase in the final budget. In total, Care4Kids receives \$116.7 million in funding, \$15.2 million more than the originally appropriated FY 2015 funds. Of this, \$11.3 million covers contractual changes in Care4Kids negotiated by the union of family child care and kith and kin providers, including a 3% rate increase, as well as a 3% rate increase for center-based providers, who are not included in the contract. The final budget also maintains important increases in funding for quality improvements in early childhood programs, containing \$5.2 million for School Readiness Quality Enhancement. These dollars fund an increase in the frequency of childcare center licensing inspections, as well as a quality rating and improvement system (QRIS). The QRIS will establish a standard basis for comparison across early care settings and create incentives and provide technical assistance to enable childcare centers to move up the rating scale.

Although not in the budget, there may be an additional \$20 million for early childhood education to support "Smart Start," a new competitive grant program open to any school district that wishes to expand its prekindergarten programs and can demonstrate an unmet need for preschool services. Though the legislature passed Smart Start, the proposed funding for its implementation (\$10 million from the Tobacco Health Trust, earmarked for operating expenses; \$10 million from bonding, designated for capital improvements) is still pending.

The budget revisions for ***K-12 education*** would increase funding for the State Department of Education by \$28 million, from \$3.06 to \$3.34 billion. This increase includes an additional \$7.7 million increase in the Education Cost Sharing grant (the state's primary source of education aid to towns), \$11.5 million to comply with the terms of the *Sheff* settlement (which seeks to assure quality, integrated education for all Hartford children), and \$12.5 million for magnet schools. Funding for the Open Choice program is reduced by \$4.5 million.

The FY 2015 revisions make significant budget changes to ***higher education***. They include an additional \$42 million for the Board of Regents, which encompasses community-technical colleges, Connecticut State Universities, and Charter Oak College. This sum includes both \$23 million appropriated for the new "Transform CSCU" initiative to improve quality and affordability at Board of Regents institutions, as well as \$19 million off budget, drawn from the reserves of the Connecticut Student Loan Foundation.

Despite these funding increases, General Fund state support for higher education remains far lower than it was two decades ago. Support for Connecticut's public colleges and universities has declined over 55% as a share of the General Fund since 1992, from 6.6% of the Fund in FY 1992 to 2.9% today. Future state budgets must commit substantially more resources in order for Connecticut's higher education system to offer improving services to students without greatly increasing tuition.

IV. Child Welfare and Juvenile Justice

The Governor's proposed revisions include significant reductions to the budget of the Department of Children and Families (DCF), whose budget falls by \$12.5 million from the FY 2015 amount authorized last year. This decline consists primarily of reductions in congregate care capacity (\$3.4 million), re-estimation of caseload-driven and other expenditures (\$7.8 million), and maximized reimbursement from private health insurers and Medicaid (\$1.4 million). On a more positive note, the budget does provide \$1 million to support currently unfunded programming for unaccompanied homeless children.

The DCF budget has been falling for several years now. Successive years of funding cuts, coupled with an increasingly complex caseload, have been placing strain on the agency. DCF's federal court monitor has cautioned against efforts to save money by reducing congregate care and caseloads absent reinvestment of those funds to boost frontline staffing and develop services that meet the complex needs of the children remaining in care. Continued cuts to appropriations for DCF threaten the long-term ability of the agency to protect our most

vulnerable children, which, in turn, threatens the long-term success and economic independence of these children to whom we owe a special responsibility.

V. Health

The budget revisions make several notable changes with respect to healthcare. Most notable are a \$2.5 million reduction in HUSKY B, likely due to caseload changes; an additional \$1.5 million (half state, half federal) to fund 100 slots under the Katie Beckett Medicaid Waiver, which keeps medically fragile children at home and out of costly institutions; and the addition of 103 new full-time positions at DSS, expected to improve the speed of processing Medicaid and other DSS program applications.

VI. Revenues

The budget revisions make substantial changes on the revenue side of the balance sheet, including the following FY 2015 policy changes:

- Extension of the Angel Investor Tax Credit: -\$3 million
- Repeal of Keno gaming: -\$13.5 million
- Exemption of non-prescription drugs from the sales tax starting in April 2015: -\$4.2 million
- Delay of a planned sales tax exemption of clothing under \$50 from June to July 2015: +\$11.5 million
- Identification of \$75 million in “miscellaneous” tax receipts from unpaid taxes
- Diversion of \$32 million from the tobacco settlement funds, Transportation Fund, FY 2014 surplus, and GAAP reserves

VII. Conclusion

Altogether, the budget revisions make improvements to the FY 2015 budget passed last year, modestly increasing the Children’s Budget and significantly boosting the state’s investment in early, K-12, and higher education; such improvements are partially offset by reductions in funding to the Department of Children and Families and other areas. Persistently slow growth in the economy has left the state with continued deficits, which in turn have prompted lawmakers to adopt stopgap measures such as fund raids and have prevented the state from building a healthy Rainy Day Fund so that we may better weather the next downturn.

In future years, it is crucial that Connecticut commit to increasing the state’s investment in children. As explained in our January 2014 Children’s Budget report, an additional investment of \$180 million each year for ten years would restore the priority of children in the state budget to the share it enjoyed when today’s leaders and parents were growing up. This additional funding could support current early care and K-12 reform initiatives, improve children’s health and well-being, and ensure Connecticut’s future is a prosperous one.