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## **Budget Options Proposed to Preserve Strategic Investments in Children and Families**

### *Proposal presented at today's Finance Committee hearing*

Connecticut can avoid deep budget cuts to programs supporting children and families by fixing tax inequities and waste, according to a new report from Connecticut Voices for Children. The report, which outlines a series of revenue options that could prevent harmful cuts to essential programs and services, was released today as part of Connecticut Voices for Children's testimony at a public hearing on the Governor's revenue proposals.

Last month, an analysis of the Governor's budget proposal by Connecticut Voices for Children found that while spending on the "Children's Budget" – state government spending that directly benefits young people and their families – makes up only a third of the overall state budget, over half (54%) of the Governor's proposed cuts come from children's programs. The organization is advocating against such cuts, asking instead that the state examine how it spends its money through outdated and/or unfair tax expenditures.

"Do we really want our state to subsidize amusement parks rather than continue to provide health insurance for pregnant women?" asked Ellen Shemitz, Executive Director of Connecticut Voices for Children. "The changes we identify would not only make our tax code more transparent and more equitable, these changes would also leverage federal dollars at no cost to the state, allow consumers to keep more of their hard earned income, and improve interstate business competitiveness to help build a stronger economy."

The report identifies several tax options including:

- **Establishing "sunset," or expiration dates, for tax breaks.** Tax expenditures -- in the form of exemptions, deductions and credits – result in a loss of over \$6 billion in state revenues, nearly one-third of the state's annual budget. Yet, unlike other forms of public spending, these tax breaks are not reviewed each year in the budget process. The report suggests establishing automatic sunset dates for all existing and new tax expenditure that would require regular review of these tax breaks.

- **Eliminating ineffective or outdated tax expenditures.** The report specifically identifies \$476 million in tax expenditures for elimination, including tax exemptions for amusement and recreation services, winter boat storage, and lawn bowling clubs. The reason given by the state’s Office of Fiscal Analysis for the creation of these expenditures is either expediency — defined as violating best tax practices without offsetting public benefit — or economic incentive for goods or services that no longer require special treatment.
- **Broadening the base of the sales tax to include more services.** While the sales tax applies to the sale of most goods, services are not taxed unless done so explicitly through legislative action. Services make up a growing share of the state’s economy, but the state’s sales tax has not kept pace.
- **Increasing progressivity at the top end of the state’s personal income tax.** Connecticut’s top “marginal rate” of 6.7% is substantially lower than those in other states like New York (8.82%) and New Jersey (8.97%). Increasing progressivity by raising top rates would offset \$300 million in cuts to children and families while leveraging significant (\$114 million) federal funding.

Further revenue options discussed in the report include closing corporate tax loopholes through “combined reporting” reforms, raising the cigarette tax, and introducing a sugar-sweetened beverage and candies tax.

“Cuts to health and education, and other programs for children hurt our economy, now and in the future,” said Nicholas Defiesta, Fiscal Policy Fellow at Connecticut Voices for Children. “These measures will begin to correct fundamental, structural problems with our tax system that restrict our ability to sustain investments in our economic well-being.”

The report, “Funding Our Future: Child and Family Friendly Revenue Options,” is available at [www.ctvoices.org](http://www.ctvoices.org). The organization’s testimony on revenue proposals before the General Assembly’s Finance, Revenue, and Bonding Committee is at <http://www.ctvoices.org/advocacy/legislative-testimony>

The summary of the impact of the Governor’s budget proposals on children and families is at: <http://www.ctvoices.org/publications/impact-governors-fy-2016-budget-children>

Connecticut Voices for Children is a research and advocacy organization that works to improve opportunities for the state’s children, youth and families.

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