FISCAL POLICY CENTER

At Connecticut Voices for Children

Impact of the Appropriations and Finance Committees' FY 2016Budget on Children

Nicholas Defiesta, Cyd Oppenheimer, J.D., Rachel Leventhal-Weiner, Ph.D., Ellen Shemitz, J.D.

May 2015

I. Introduction

Earlier this year, Connecticut Voices for Children reviewed the budget proposal by the Governor for Fiscal year 2016 (FY16), comparing the proposed funding for services and programs that support Connecticut's children and their families to the funding that would be needed to continue to support current services. This paper examines the recently released budget proposal of the Appropriations Committee for Fiscal Year 2016 (FY16) as well as the funding recommendations of the Finance Committee. Total spending in the Appropriations Committee's budget exceeds the Governor's by $284.4 million, an increase that would be funded by $576.8 million in new revenue proposed in the Finance Committee's budget.

To track the impact of Connecticut's budget on children, Connecticut Voices for Children assessed the key line items in a "Children's Budget" – a compilation of all major State investments in children, including programs and services that provide for the well-being of children and their families (see page 2).[1] Whereas the Governor proposed a budget with $313.2 million less than the estimated level required to maintain current services in FY16,[2] the budget passed by the Appropriations Committee would restore $129.5 million of the proposed cuts, with total funding for the Children's Budget roughly $183.6 million below estimates of spending required to maintain current services. The majority of this remaining shortfall ($122.9 million) is attributable to the Committee's support for the Governor's proposal to extend caps on various grants to school districts that were due to expire on July 1, 2016.

II. The Children's Budget

	FY 2016 Governor's Current Service Estimates	FY 2016 Governor Proposed[3,4]	FY 2016 Appropriations Proposed[5]	Governor's Change from Current Services	Appropriations Change from Current Services	Appropriations Change from Governor
Young Children						
State Department of Education	$3,209,426,866	$3,052,485,993	$3,058,236,723	-4.9%	-4.7%	0.2%
Office of Early Childhood	$277,262,440	$272,726,440	$275,742,162	-1.6%	-0.5%	1.1%
Department of Children and Families	$828,498,662	$814,395,586	$815,091,134	-1.7%	-1.6%	0.1%
DSS Medicaid (HUSKY A) [6]	$805,459,200	$753,844,800	$813,691,360	-6.4%	1.0%	7.9%
DSS TANF	$104,370,000	$102,625,380	$102,625,380	-1.7%	-1.7%	0.0%
DSS HUSKY B (CHIP)	$33,690,000	$33,690,000	$33,690,000	0.0%	0.0%	0.0%
DSS CT Children's Medical Center	$15,579,200	$15,579,200	$14,800,240	0.0%	-5.0%	-5.0%
DDS Early Intervention	$39,186,804	$39,186,804	$39,186,804	0.0%	0.0%	0.0%
DDS Voluntary Services	$33,017,277	$12,986,713	$29,731,164	-60.7%	-10.0%	128.9%
DOL Jobs First	$18,051,623	$18,040,423	$18,036,623	-0.1%	-0.1%	0.0%
DPH School-Based Health Clinics	$12,048,716	$11,024,576	$11,898,107	-8.5%	-1.3%	7.9%
Youth						
Board of Regents	$353,813,840	$337,683,311	$352,043,311	-4.6%	-0.5%	4.3%
University of Connecticut	$258,812,447	$219,377,020	$245,877,020	-15.2%	-5.0%	12.1%
Office of Higher Education	$47,178,537	$42,289,435	$44,822,864	-10.4%	-5.0%	6.0%
DOL Workforce Investment Act	$31,284,295	$31,284,295	$31,284,295	0.0%	0.0%	0.0%
DMHAS Young Adult Services	$82,898,847	$80,206,667	$80,206,667	-3.2%	-3.2%	0.0%
JUD Juvenile Alternative Incarceration	$28,442,478	$28,442,478	$28,442,478	0.0%	0.0%	0.0%
JUD Youthful Offender Services	$18,177,084	$18,177,084	$18,177,084	0.0%	0.0%	0.0%
Total Children's Budget	**$6,197,198,316**	**$5,884,046,205**	**$6,013,583,416**	**-5.1%**	**-3.0%**	**2.2%**
Non-Children's Budget	**$18,592,100,000**	**$18,001,800,000**	**$18,286,160,315**	**-3.2%**	**-1.6%**	**1.6%**
General Fund	**$12,394,901,684**	**$12,117,753,795**	**$12,272,576,899**	**-2.2%**	**-1.0%**	**1.3%**

II. Significant Appropriations Changes to the Children's Budget

With regard to items in the Children's Budget, the Appropriations Committee's budget would alter the Governor's proposal in the following ways:

- Restore **$44.6 million** to maintain HUSKY health insurance for 34,000 low-income parents and pregnant women;
- Restore **$43.5 million** to lessen the Governor's proposed cut to higher education (the Board of Regents, University of Connecticut and Office of Higher Education);
- Restore **$16.7 million** to lessen the Governor's proposed cut to Voluntary Services for youth with co-occurring mental and behavioral health challenges served by the Department of Developmental Services;
- Restore approximately **$12.5 million** to lessen the Governor's proposed cut to payments to Medicaid providers ;[7] and
- Restore partial or full support for many programs critical to children and families, including Community Plans for Early Childhood, Parent Trust Fund, Improving Early Literacy, Family Resource Centers, Bridgeport's ABCD Total Learning Initiative, the Children's Trust Fund (Help Me Grow, Family School Connection, Family Empowerment Programs), and more.[8]

Consistent with the Governor's budget proposal, the Appropriations Committee would not restore any funding ($122.9 million) for education grants that reimburse districts for costs associated with providing special education, transportation, and other important services. These grants have been capped since the recession, but the caps were scheduled to expire this year.

III. Significant Finance Changes

- The Finance Committee would fund the services restored in the Appropriations Committee Budget with additional revenue that would improve tax equity and sustainability: **$102.4 million** from increasing the top marginal personal income tax rate from 6.7% to 6.99%;
- **$167.6 million** from a 2% supplemental tax on capital gains for high earners;
- **$162.8 million** from eliminating tax expenditures on computer and data processing and internet services;
- **$70 million** from broadening the base of the sales tax to include more services (resulting in a revenue gain of $322.7 million), and lowering the rate to 5.85% effective October 1, 2015 (resulting in a revenue loss of $252.7 million);
- **$156.3 million** from limiting corporations' use of net operating loss carryforward; and
- **$38.6 million** from enacting combined reporting, thus closing a corporate accounting loophole.

The Finance Committee Budget would not restore funding for the Earned Income Tax Credit ($11.5 million), which provides tax relief to low-income working families and was scheduled to return to 30% of the federal credit amount in FY16. The credit would remain at 27.5% of a recipient's federal credit amount.

IV. Conclusion

Connecticut has an obligation to its children and families: an obligation to ensure that every child has access to health care, receives a high-quality education, and lives in a safe community. Unfortunately, Connecticut's ongoing fiscal challenges continue to jeopardize State investments in children. The budget put forth by the Appropriations Committee improves upon the Governor's proposal, preserving more programs that support the health and higher education of Connecticut's children and families. The budget put forth by the Finance Committee would fund these initiatives through new revenue generated from closing unnecessary tax loopholes and adding progressivity to the State tax code. Unfortunately, these budgets would still underfund state support for K-12 education and renege on a promised tax cut for working families. Notwithstanding these shortcomings, the two budgets preserve many essential investments in children and families and provide a mechanism by which to pay for these investments.

---

[1] For detailed methods, see Wade Gibson, "Introducing the Children's Budget: Part 2 of the Shifting Priorities Series," *Connecticut Voices for Children*. January 2014. Available at http://www.ctvoices.org/publications/introducing-childrens-budget-part-ii-shifting-priorities-series.

[2] Current services denotes the level of funding required to maintain services at the same level they were at during the previous year given routine changes such as inflation and caseload adjustments.

[3] To ensure accurate comparisons to current services levels, some of the proposed appropriations for FY 2016 were adjusted to reflect transfers from one agency to another. For example, the Early Intervention program, previously housed in the Department of Developmental Services, was split between the Department of Social Services and the Office of Early Childhood in the Governor's budget proposal. This appropriation was subtracted from the line items for both DSS and OEC to maintain accurate year-over-year comparisons.

[4] Totals do not exactly match Connecticut Voices for Children's original analysis of the Governor's budget. There were two errors in the original analysis. First, the original budget analysis failed to account for the consolidation of appropriations associated with implementation of GAAP from agency budgets into the Comptroller's budget; these consolidations were incorrectly counted as cuts to children, when in fact they are merely accounting changes. Second, the original budget analysis did not appropriately account for the transfer of the Medicaid portion of the Birth-to-Three program to the Department of Social Services. The figures presented here are correct, and differ from our prior estimates by less than a tenth of a percent.

[5] To ensure accurate comparisons to current services levels, some of the proposed appropriations for FY 2016 were adjusted to reflect transfers from one agency to another.

[6] The Governor's FY 2016-17 proposed budget does not delineate the portion of Medicaid funding spent on children and families, so this amount represents the best estimate given the most recent data available. It assumes 100% of the cut associated with eliminating coverage for parents and pregnant women on HUSKY A would harm children and families, and that cuts to nursing home providers would not affect children. Finally, it assumes that 32% of the remaining cuts to Medicaid (e.g. provider rate reductions) will impact children, based on the percentage of all Medicaid spending spent on HUSKY A in the most recent fiscal year.

[7] *Ibid.*

[8] An explanation of these line items can be found in the Department of Education, Office of Early Childhood, and Department of Social Services budgets.