



# News Release

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## **In Addressing Deficit, Lawmakers Should Consider \$7.2 Billion in Tax Expenditures**

*Use of such expenditures has grown by 71% since 2000*

**NEW HAVEN, CONN.** – Right now, Connecticut faces difficult budget choices resulting from two significant challenges: post-recession revenues coming in short of expectations and past budgeting decisions that have left us with significant debt. But unlike spending on education, health and human services and other critical services, there will be no public debate on the \$7.2 billion of revenue lost through tax expenditures in the coming fiscal year — despite having grown by over 70 percent since 2000. In order to ensure that government spending is addressing public needs in a cost-effective and equitable manner, our lawmakers should adopt a more robust evaluation and review process for all tax expenditures.

“Every dollar of spending on schools, social services, and transportation is scrutinized for cost effectiveness, but tax expenditures are rarely evaluated or addressed,” said Nick Defiesta, associate fiscal policy fellow at Connecticut Voices for Children. “We need to hold spending through our tax code just as accountable as spending through the appropriations process.”

The \$7.2 billion in revenue lost to tax expenditures is roughly 40 percent the size of the General Fund, and should receive the same degree of public scrutiny and consideration. In order to make our public budgeting more fair, accountable, and transparent, Connecticut Voices for Children has two recommendations for reviewing spending through our tax code.

**First, Connecticut Voices for Children proposes expanding the Office of Fiscal Analysis’ Tax Expenditure Report.** While this biennial report provides useful detail, it does not offer any *evaluation* of how well the tax expenditures are functioning, the extent to which they are meeting their policy goals, and ultimately, whether each tax expenditure should be continued, modified, or repealed.

Connecticut Voices for Children proposes that OFA evaluate each tax expenditure — including how well it is meeting its goals, its fiscal and economic impact, and administrative costs — and submit a recommendation to continue, modify, or repeal. If tax expenditures are evaluated and found to be operating efficiently, they should be maintained or expanded; if they are found to be an ineffective use of scarce taxpayer resources or further a less pressing public priority, they should be ended.

**Second, Connecticut Voices for Children proposes bolstering the Legislative Review Process for tax expenditures.** Currently, legislators are not obligated to act on the findings of the Tax Expenditure Report, leaving the \$7.2 billion in tax expenditures to go nearly entirely ignored by General Assembly. Not only does this process fail to hold tax expenditure accountable for the policy goals they were

intended to achieve, but it harms transparency in our public budgeting process by effectively keeping this spending “off the books.”

A stronger legislative review process should be instituted by holding public hearings on the results of the Tax Expenditure Report, so that taxpayers can weigh in on how public funds are used as they can during the regular appropriations process. The **Finance Committee and the General Assembly must also vote on the recommendations of the tax expenditure report**, taking into account public testimony.

“Holding \$7.2 billion in tax expenditures accountable is an important step to getting our fiscal house in order,” said Derek Thomas, Fiscal Policy Fellow at Connecticut Voices for Children. “Strengthening our review process will help Connecticut ensure all spending is on behalf of the public good.”

Connecticut Voices for Children is a statewide, research and policy organization that works at the state and federal levels to advance public policies that benefit the state’s children, youth and families. For more information on Connecticut Voices, see [www.ctvoices.org](http://www.ctvoices.org).

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