CONNECTICUT VOICES FOR CHILDREN
20 YEARS OF ADVANCING OPPORTUNITIES FOR CHILDREN AND FAMILIES

33 Whitney Avenue
New Haven, CT 06510
Voice: 203-498-4240
Fax: 203-498-4242
www.ctvoices.org

The Governor's Budget – A Comparison to Current Year Appropriations

Children's Budget Drops to New Low, Tax Hikes for Low- to Middle-Income Families

Derek Thomas, M.P.A, Ray Noonan, Sharon Langer, J.D., Daniel Long, Ph.D., Alexandra Ricks, Lauren Ruth, Ph.D., Ellen Shemitz, J.D., and Nicole Updegrove.

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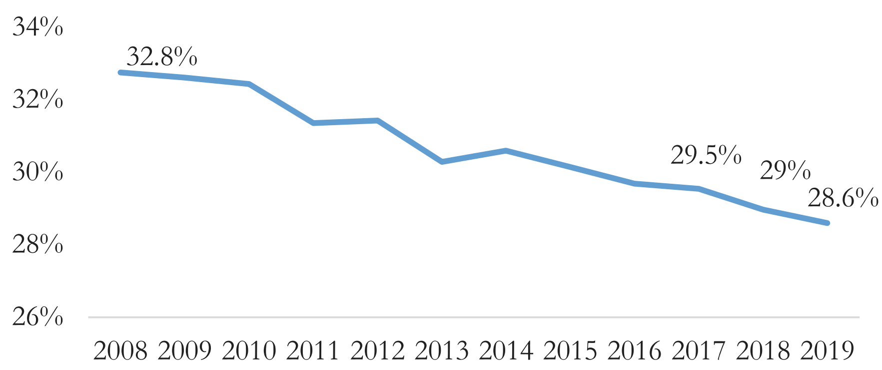
Introduction

This analysis of the Governor's budget proposal for fiscal years (FY) 2018 and 2019 addresses both the revenue and expense side of the budget, assessing the proposed investments in children and families as compared with the current fiscal year's (FY 2017) appropriated spending. Faced with a deficit of $3.6 billion over the next two fiscal years, the Governor has proposed balancing the budget by relying on $1.36 billion in cuts, generating more than $600 million in new revenue largely by eliminating tax credits for low- to middle-income families and raising cigarette taxes, calling for $1.56 billion in public sector pay and benefit concessions, and shifting one-third of teachers' pension costs to municipalities.[1]

Children's Budget – Declining Share, Increased Spending

To assess changes in state support over time, our Children's Budget tracks state investments in programs and services that directly impact children.[2] Following a cuts-only approach to the FY 2016 budget deficit, the Children's Budget fell to a record low 29.5 percent of General Fund spending. The Governor's biennium budget proposal would further reduce the Children's Budget to 29 percent of General Fund spending in FY 2018 and 28.6 percent of General Fund spending in FY 2019. Although the share of total General Fund spending dropped, spending increased by $90.1 million as a result of increased Medicaid spending (described in greater details on page three).

Governor's Budget Would Reduce Children's Budget to New Low



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[1] The proposal gives the Governor unilateral authority to cut an additional $40 million from executive branch agencies in each of the two fiscal years of the biennial budget: https://www.cga.ct.gov/2017/TOB/h/2017HB-07027-R00-HB.htm

[2] Visit our online visualization to assess appropriations over time, and to compare spending on children to other parts of the budget: https://public.tableau.com/profile/connecticut.voices.for.children#!/

The following table illustrates the Governor's top 15 proposed dollar-for-dollar cuts to the Children's Budget from FY 2017 to FY 2019. We provide a more detailed analysis of each Childrens's' Budget component and discuss the impacts of line item cuts in the Appendix.

Top 15 Dollar-for-Dollar Cuts to the Children's Budget—FY 2017 to 2019

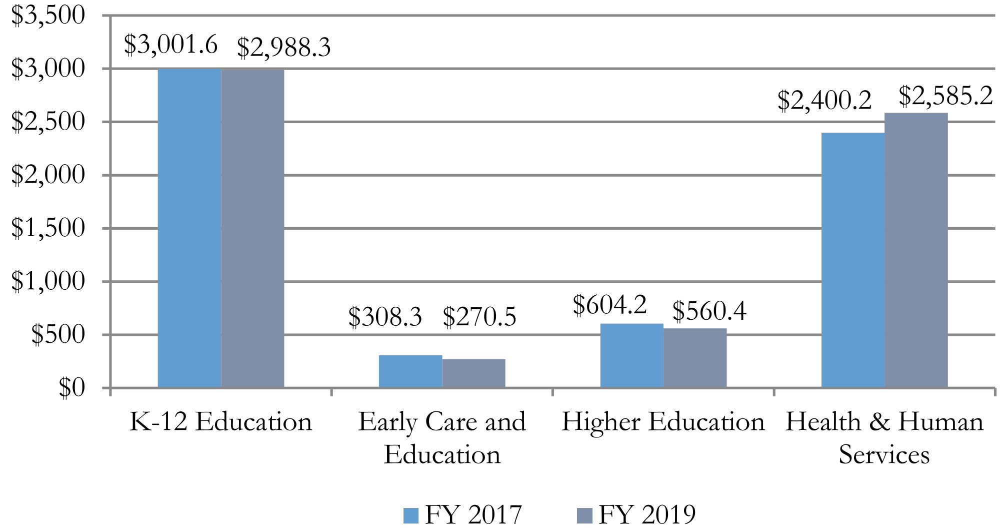
Line Item	**Agency**	**Children's Budget Component**	**Amount Cut**	**Percentage Change**
Connecticut State Colleges and Universities	CSCU	Higher Education	-$22,638,689	-6.8%
Operating Expenses (UCONN)	UCONN	Higher Education	-$14,859,702	-7.2%
Care4Kids TANF/CCDF	OEC	Early Care and Education	-$14,500,000	-11.7%
Birth to Three	OEC	Early Care and Education	-$10,813,196	-27.6%
Temporary Family Assistance	DSS	Health & Human Services	-$10,328,710	-11.5%
Young Adult Services	DMHAS	Health & Human Services	-$6,026,782	-7.4%
Board and Care for Children – Short-term and Residential	DCF	Health & Human Services	-$5,676,148	-5.5%
Regional Vocational-Technical School System	SDE	K-12 Education	-$5,587,421	-3.4%
Juvenile Alternative Incarceration	Judicial	Health & Human Services	-$5,104,851	-19.8%
Governor's Scholarship	OHE	Higher Education	-$4,440,118	-11.9%
Priority School Districts	SDE	K-12 Education	-$4,233,717	-10.0%
Behavioral Services Program	DDS	Health & Human Services	-$4,176,765	-16.5%
Family Resource Centers	SDE	K-12 Education	-$3,947,422	-50.0%
Talent Development	SDE	K-12 Education	-$3,445,115	-56.5%
Personal Services	SDE	K-12 Education	-$3,350,782	-17.7%

CT Voices Analysis of the Governor's Biennial Budget. Education Equalization Grants line item was cut by $437,583,167, but that money, along with the Excess Cost Grant, was combined into the Special Education line item.

The graph below reflects the FY 2017 to FY 2019 change in each of the four Children's Budget components. Over the next two fiscal years, the Governor's budget would reduce funding for early care and education by 12.3 percent, K-12 by 0.44 percent, higher education by 7.3 percent, and increase health and human services by 7.7 percent.

Changes in Children's Budget Components

Current Fiscal Year Appropriations (FY 2017) compared to Governor's FY 2019 Budget (in Millions)



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A Note on our Methodology

To ensure comparability with prior years, this analysis includes federal Medicaid dollars in total General Fund spending. Beginning in 2014, the state adopted a practice known as "net funding", removing the federal Medicaid share from total General Fund spending, allowing funding for the state budget to remain under the spending cap. Starting in 2014 the federal government significantly increased its share of Medicaid spending by providing 100 percent reimbursement for low-income adults on Medicaid (HUSKY D).

For example, in the current fiscal year (FY 2017), total Medicaid spending is $5.964 billion, $2.447 billion of which represents state investments, while $3.517 billion comes from the federal government. This means that, in FY 2017, while the state defines total General Fund spending as $17.864 billion, our baseline for comparison is $21.381 billion ($17.864 + $3.517 billion). We add back in the federal share because we estimate what share of *total* Medicaid spending is devoted to children to calculate the health and human services component of our Children's Budget. In FY 2017, we estimate that of the $5.964 billion in total Medicaid spending, $1.260 billion is spent on children.

Significantly, the Governor's proposal includes an increase of $896 million in total Medicaid spending from FY 2017 to FY 2019. The result is that while other components of the Children's Budget see declines, the amount we calculate that is spent on children's health and human services increases by $190 million, ultimately translating to an increase in the total amount spent on children from FY 2017 to FY 2019. Absent this substantial increase, the Children's Budget would see a decrease of approximately $100 million.

Some of the increase in Medicaid spending is the result of increased "supplemental Medicaid payments to hospitals."[a] Typically, states provide supplemental payments to hospitals that serve a disproportionate share of uninsured or under-insured patients and to enable the state to draw down additional federal funds. It should also be noted that these are estimates, and are subject to revisions (for example, the previous biennial budget estimated $6.2

billion in total Medicaid spending in FY 2017, which was later revised downward by approximately $300 million to the current $5.964 billion).

New Revenue – Asking More from Those with Less[3]

The Governor's budget proposal would generate $320 million and $287.4 million in expected new revenue for each of the next two fiscal years.[b] More than 40 percent (approximately $130 million) of new revenue in each of the following two fiscal years is generated by raising taxes on low- to middle-income households. Of that $130 million, the Governor proposes raising approximately $25 million each year by cutting the Earned Income Tax Credit (EITC), a credit that helps Connecticut's low-income working families afford basic necessities. This proposal follows a 2011 cut which reduced the EITC from 30 percent to 27.5 percent of the federal EITC, resulting in a 20 percent decrease in the average credit. The Governor's proposed cuts to the EITC would hurt nearly 200,000 working families by making it harder to put food on the table and meet the needs of their children.[4]

The Governor's proposed elimination of the property tax credit, which helps offset Connecticut's regressive property tax system for nearly 800,000 taxpayers, would further hurt low- to middle-income taxpayers. As with the EITC, the proposed cuts to the property tax credit build upon prior reductions. Nearly ten years ago, the credit was worth a maximum of $500, before being reduced to $300 in 2011 and $200 in 2016.[5]

At the same time that the Governor has proposed tax changes that burden low- and moderate-income families, he has proposed giving residents with estates worth more than $2 million (but less than $5.25 million) a *tax cut,* by increasing the estate tax exemption to the federal threshold of $5.25 million. This change would exempt approximately 75 percent of estates subjected to the estate tax in FY 2015, costing the state an estimated $20 million in FY 2019.[c] While the Governor justifies the proposal as necessary to maintain Connecticut's competitiveness with surrounding states, both Massachusetts and Rhode Island have thresholds below Connecticut, and New York's threshold will increase to $5.25M starting this year.[6,d] Weakening the estate tax would undermine efforts towards addressing wealth inequality.[e]

Other revenue proposals include:

- Increasing the cigarette tax by $0.45 per pack would generate approximately $60 million in each of the next two fiscal years. Although this change would disproportionately impact low-income residents, research has found that cigarette taxes reduce smoking rates and thus decrease health costs.[f]
- A tax amnesty program – known as "Fresh Start" – that waives penalties and interest for unpaid personal and corporate income and sales taxes is expected to spur an additional $60 million in collections in FY 2018 and $25 million in FY 2019.
- "Other" proposals generate revenue through $35 million in expected increased federal grants in FY 2019 and by increasing the cost of obtaining a gun permit ($9 million) and criminal records ($2.6 million).
- The elimination of the property tax exemption for nonprofit hospitals could raise more than $200 million collectively for communities such as New Haven and Hartford whose tax bases are disproportionately eroded by the exemption.

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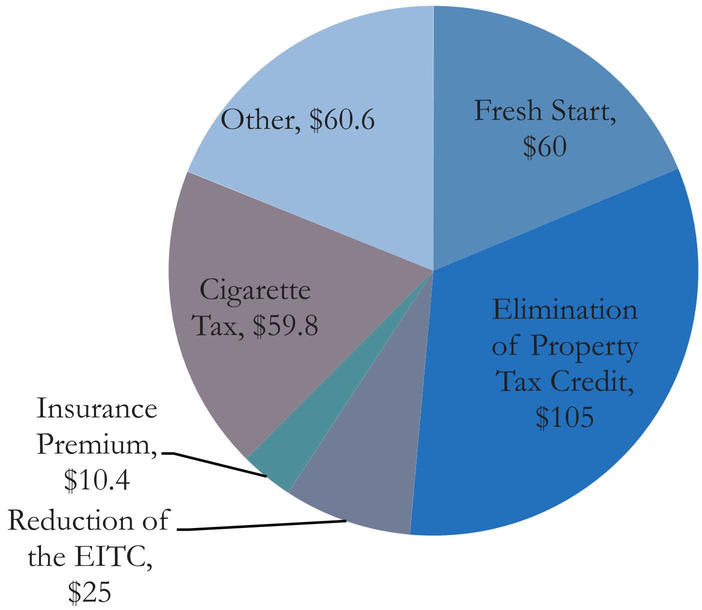
[3] See our latest revenue options brief for a dozen options to modernize the sales tax, strengthen the corporate income tax, and reform wealth and income taxes: http://www.ctvoices.org/sites/default/files/Revenue%20Options%202017_0.pdf

[4] See our EITC brief and data on the average credit, number of credits, and sum of credits in all 169 towns here: http://www.ctvoices.org/publications/restoring-connecticuts-earned-income-tax-credit-makes-sense

[5] Our proposal for a statewide property tax would reduce taxes for 1.7 million residents in 117 towns, strengthen the tax base of our largest cities, and level the playing field so that all communities can attract jobs: http://www.ctvoices.org/publications/equal-funding-equal-effort-proposal-reform-property-tax-funding-local-education-connect

[6] Although, New York City Mayor Bill de Blasio is calling for a citywide 2.5% mansion tax on property valued at $2 million or more.

Low- to Middle-Income Taxpayers Shoulder 40% of the Governor's FY 2018 Revenue Proposals (in Millions)



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Low- to Middle-Income Residents Would Experience Tax Hikes Under Governor's Budget Proposal

2016 Income Group	**Lowest 20%**	**Second 20%**	**Middle 20%**	**Fourth 20%**	**Next 15%**	**Next 4%**	**Top 1%**
Income Range	Less than $22,000	$22,000-$44,000	$44,000-$75,000	$75,000-$128,000	$128,000-$331,000	$331,000-$987,000	Over $987,00
Average Income in Group	$14,000	$ 34,000	$ 58,000	$ 98,000	$ 188,000	$495,000	$3,523,000
Average Tax Increase From:							
Property Tax Credit Elimination	$1	$60	$143	$104	$15	$1	$0
EITC Reduction	$20	$34	$14	$0	$0	$0	$0
Average Household Tax Increase	**$21**	**$93**	**$157**	**$104**	**$15**	**$1**	**$0**

Institute for Taxation and Economic Policy

The Non-Children's Budget – Teachers' Pension Shift

Our analysis focuses on programs that directly support children, while acknowledging that other areas of the budget also impact child well-being, either positively through indirect benefits – such as employment programs for adults and investments in infrastructure that creates jobs and supports thriving communities – or negatively by crowding out spending that directly benefits children. The sections below examine two other components of the Governor's proposal: nonfunctional spending (debt service and fringe benefits) and adult health and human services.

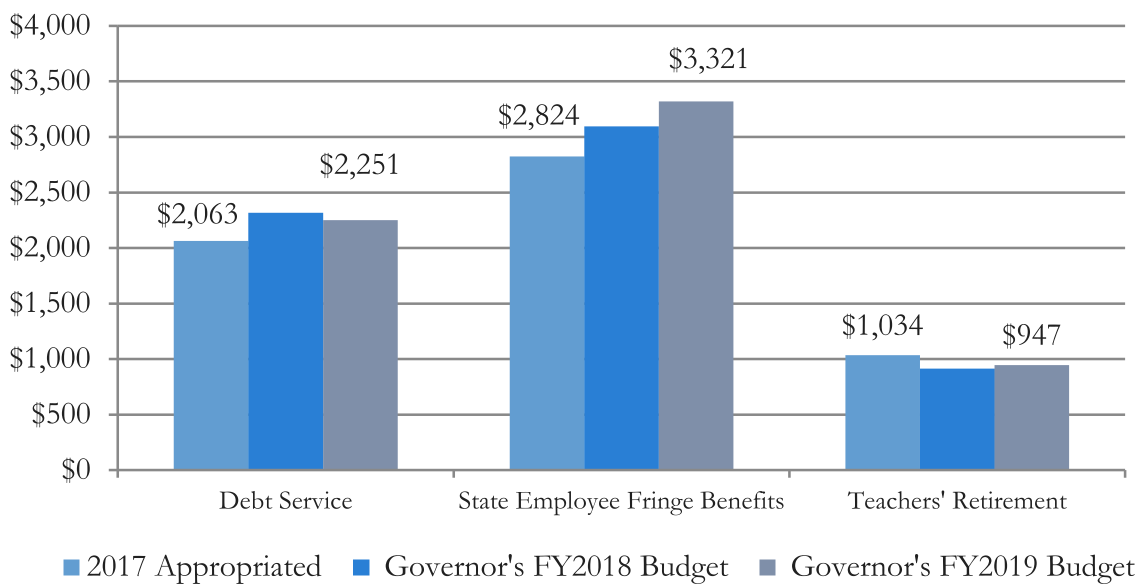
Nonfunctional Spending

Nonfunctional spending in our analysis includes fringe benefits, such as health and retirement benefits for teachers and state employees, and payments to debt service, such as interest on loans secured to pay for infrastructure. Failure to save, until just recently, for public sector workers' fringe benefits beginning more than a half-century ago has resulted in enormous bills today. Under the Governor's proposal, 35.5 percent ($6.513 billion) of the General Fund would be spent on nonfunctional spending in FY 2019, up from 33 percent ($5.914 billion) in the current fiscal year (FY 2017). These shares do not include federal Medicaid dollars in their baseline, and therefore cannot be compared to the share of the budget dedicated to the Children's Budget.

In an effort to tackle these rising costs, the Governor's proposal would shift one-third (more than $400 million in each of the next two fiscal years) of teachers' pension costs to localities. The proposal is distributed progressively among towns. That is, a town's increased liability would depend on the richness of the benefits it provides its teachers. On the other hand, municipal budgets would be impacted, which could cause local officials to raise property taxes as a way to pay for the new costs. Absent this change, teachers' retirement costs for the state would experience 32 percent growth from FY 2017 to FY 2019; the costs of state employee benefits will increase by 18 percent and debt service by 9 percent during the same time period.

The Governor's budget also assumes a total of $1.56 billion in reduced state employee benefits over the next two fiscal years, and cites 4,200 as the number of layoffs that would be required absent any reduced costs (or, 10 percent of the state's full-time workforce).[7] While an unrealistic outcome, the long-term cost of the loss of more middle-class jobs cannot be overstated: the state has already shed approximately 17,000 public sector jobs since the recession began, and nearly 10,000 since 2010.[8]

Nonfunctional Spending by Category, FY 2017 to FY 2019 (in Millions)



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[7] The Governor state employees recently reached a deal to spread out future payments to avoid ballooning payments: https://www.wsj.com/articles/connecticuts-governor-unions-reach-agreement-to-restructure-pension-payments-1481310008

[8] According to the Economic Policy Institute, Connecticut's public-sector workers' wages are 14 to 16 percent lower on average than that of their private sector counterparts. After factoring in benefits such as health and retirement, Morrissey finds that total compensation packages between the public and private sector are nearly identical: http://www.epi.org/publication/ib324-public-school-teacher-benefits/

Adult Health and Human Services

The Governor's budget proposal would increase spending in adult health and human services by 10 percent ($694.5 million) from FY 2017 to FY 2019. Again, as discussed on page three, this increase in the Department of Social Services budget is entirely a result of increased Medicaid spending ($364.7 million of state spending, and $341 million in federal spending). The following agencies would experience the largest reductions: the Department of Developmental Services ($18.2 million, or 3.6 percent), the Department of Mental Health and Addiction Services ($13.5 million, or 2.5 percent), and the Department of Rehabilitation ($1.8 million, or 8.4 percent). The Department of Public Health and Department of Housing would experience net increases of $2.6 million (5.3 percent) and $12.3 million (14.7 percent), respectively.

Recommendations

The Governor's budget takes on significant structural imbalances in the state budget and is balanced in its approach in that this year's budget includes cuts and revenue, unlike last year's cuts-only approach. New revenue in the Governor's budget, however, is generated largely by raising taxes on those who can least afford it: low- to middle-income families. Lawmakers should instead capitalize on the opportunities the current challenges present by enacting bold reforms to our tax system that calls on all residents in the state to contribute. In so doing, the state can raise critically needed revenue *and* ensure stability to the revenue system to support future investments.

Adopt a Truly Balanced Approach: Our Revenue Options brief lays out more than a dozen opportunities to invest in Connecticut's future by modernizing an outdated sales tax system, strengthening taxes on corporations, and reforming wealth and income taxes. Applying the sales tax to services and collecting taxes on internet sales is a an example of a proposal that raises significant revenue, asks all taxpayers to contribute, adds fairness, and tackles the erosion of the sales tax base.

Revenue Options

Modernize Outdated Sales Tax	Apply sales tax to services*	$730 million to $1.5 billion
	Collect a larger share of taxes due on internet sales*	$65 to $75 million
	Apply the sales tax to digital downloads*	$7 to $11 million
Reform Wealth and Income Taxes	Increase income tax by a half percentage point for top earners	$217.3 million
	Higher rates on dividends and capital gains	$141.8 million
	Repatriation of deferred management fees	To be determined
	Join regional compact to close carried interest loophole	$535 million
	Improve enforcement of existing tax laws	$40 million
Strengthen Corporate Income Tax	Adopt throwback rule to eliminate "nowhere income"*	$12 to $25 million
	Eliminate the corporate income tax capital base system and replace with a value-added tax as an alternative minimum tax*	To be determined
	Renew efforts to regularly review business tax breaks*	To be determined
Support Critical Programs	Enact sweetened beverage tax	$85 to $141 million
	Institute a low-wage employer fee	$305 million

Revenue Options: http://www.ctvoices.org/revenue2017. Asterisk denotes policies discussed and/or recommended by State Tax Panel

Ensure Transparency of Business Tax Breaks: Bipartisan legislation in 2016 called for stronger review of the hundreds of millions of dollars spent on business tax breaks, but ultimately failed to become law. Without regular review to ensure that these tax breaks are achieving their desired goals, they may become a permanent cost to the state even when changing economic conditions would suggest that they should be modified or repealed. Just like spending on education, infrastructure, and social services, business tax breaks should be subject to public debate.

Consider Structural Changes to Connecticut's Property Tax System: Our property tax proposal would cut taxes for 2.7 million residents in 117 cities and towns, strengthen the tax base of our largest cities, and level the playing field so that all communities can attract jobs. By funding PILOT at statutory levels, the proposal would also free nearly $200 million in the budget that the state could use to fund essential services for children and families.

Appendix – Children's Budget Spending by Type

The following examines each component of the Children's Budget – early care and education, K-12, higher education, and health and human services such as health, and child welfare and juvenile justice – in greater detail. Over the next two fiscal years (from FY 2017 to FY 2019) the Governor's budget reduces early care and education by 12.3 percent, K-12 by 0.44 percent, higher education by 7.3 percent, and health and human services by 7.7 percent.

Early Care and Education

This section discusses the portion of early care and education funding that is currently located within the Office of Early Childhood. The Governor's budget proposal would reduce the Office of Early Childhood (OEC) budget by $61.7 million (20.3 percent) from FY 2017 appropriations to FY 2019. Including federal Medicaid money for the Birth to Three program in the Department of Social Services, the Governor's proposal would reduce total Early Care and Education funding by $37.8 million (12.3 percent). As a whole, the budget cuts and transfers of programs out of the OEC would diminish the ability of the OEC to support and expand high-quality coordinated affordable child care and education from birth to five. These transfers and cuts would reverse progress made the last five years to integrate and strengthen the early childhood system.

The most significant reduction in spending was for the Care 4 Kids childcare subsidy. Care 4 Kids provides low-income working families with child care subsidies so that parents are able to afford the cost of work and that children have access to safe, high-quality early care and education. The new proposed biennium budget would reduce funding for Care 4 Kids by $9.3 million in FY 2018 and an additional $5.2 million in FY 2019, with the stated assumption that the program will remain closed to new applications until mid-FY 2019. The program is currently closed to almost all new families,[9] and as of January 12, 2017, more than 2,500 families had been added to the waitlist.[g] Many early childhood providers also report financial difficulties posed by new families' inability to pay given that subsidies are unavailable. These problems are expected to worsen as children currently in the program age out of early care and education and enter K-12 schooling. If early childhood providers close due to insolvency, all families of young children are impacted, not just lower-income families.

The Governor proposed reducing the Early Care and Education line item, which funds child development centers and School Readiness, by $7.7 million for FY 2018 and another $2.6 million in FY 2019. This reduction represents a transfer of state funds into other departments as additional preexisting federal grant money (which is not shown in the budget) is moved from those departments into OEC to fund Early Care and Education. Although the Governor indicated that there would be no reduction in services, it may leave the OEC more vulnerable in the event of federal funding cuts to state block grants.

This proposed budget would also eliminate five small programs, including Even Start (a two-generation program) and several small support programs that help families access health care and support their child's development.[10] Two of these programs had been scheduled for elimination in FY 2016 but were ultimately restored with small funding cuts.[h] Together these program eliminations would comprise almost $2 million in cuts. State Head Start and the quality enhancement line item for child care both would see small but significant (3.0 to 9.7 percent) cuts.

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[9] Due to funding deficiencies in FY 2017, on August 1, 2016, the program closed to new applicants from low-income families. On December 31, 2016, the program closed to teen parents and former TANF recipients as well. Families already receiving Care 4 Kids do continue receiving the subsidy, as long as they meet qualifications, but only current TANF recipients can newly enter the program.

[10] The full list of programs eliminated includes Community Plans for Early Childhood, Improving Early Literacy, Even Start, Help Me Grow, and Healthy Start.

The transfer of Birth to Three out of OEC represents 53 percent of the reduction to the OEC budget. Birth to Three provides early intervention services for infants and toddlers with disabilities and to their families. The program is a federal entitlement under the Individuals with Disabilities Education Act (IDEA).[i] Previously, the program had been housed within the Department of Developmental Services (DDS), but was divided in FY 2016 between the Department of Social Services (DSS) and the OEC.[11] For FY 2018, the Governor proposes unifying the program within DSS. The removal of Birth to Three from the OEC would diminish the Office's to support coordinated high-quality care. Notably, the transfer would represent a $32.8 million cut from the OEC, but only $14.2 million would be subsequently transferred into DSS. Birth to Three has been underfunded in some past years, including FY 2016, leading to the need to fill deficiencies throughout the fiscal year as funding for this entitlement runs out.

K-12 Education

The Governor's budget proposal would cut K-12 spending by $22.1 million (0.7 percent) from FY 2017 to FY 2018. Although designated funding for three line items would see an increase of $464 million ($462 million for a new special education account, a net increase of $2 million for charter schools, and an increase of $200,000 for school nutrition programs) the Governor's proposal would reduce other line items by $486 million (the Education Cost Sharing line item is reduced by $447.5 million and $38.5 million are cuts are spread across almost every line item in the K-12 budget). These cuts would be partially offset by a $10 million transfer from the Municipal Revenue Sharing Fund to the Education Cost Sharing (ECS) line item. The ECS line item distributes state money to supplement local education funding.

The Governor's proposal would transfer $447.5 million in ECS funds, along with $140 million from the Special Education Excess Cost Grant line item and an additional $10 million, to a new Special Education account. Special education funds would be allocated based on a formula that adjusts grants according to town wealth. The special education formula would not account for student poverty. This change would provide additional funds for some low-income and low-wealth towns but the elimination of the Special Education Excess Cost Grant leaves many small medium-income towns without support for the occasional high-need special education student. This lack of insurance for exceptionally high-need special education students could have a very large impact on small towns.

The Governor's proposal cuts $38.5 million to programs that provide investments in birth to five early education, improved teacher quality, essential wrap around services needed for effective community schools, needed funds to promote school integration, and funding for vocational education to ensure that Connecticut has well-trained work force.

- Funding for Family Resource Centers (FRCs) would be reduced by half ($3.9 million). FRCs provide essential birth-to-five programming to help students become kindergarten ready, early diagnostic programs to improve child health and development, and parenting classes and other supports to promote improved child wellbeing. FRC staff often provides parent outreach, coordination, and information needed for effective community schools.
- Funding to ensure teacher quality and teacher professional development would be cut by $3.5 million.
- Key funding would be cut for wrap-around services necessary for effective community schools and additional funding for high poverty school districts:

[11] See our report on the final FY 17 budget adjustments on early care and education at http://www.ctvoices.org/sites/default/files/ece16finalfy17budgetadjustments.pdf

- $1.4 million would be cut by eliminating seven programs (Leadership, Education, and Athletics in Partnership; Connecticut Writing Project; Bridges to Success; Alternative High School and Adult Reading Incentive Program; CommPACT schools; Regional Education Services; and Resource Equity Assessments). Many of these programs provide additional support for at risk students such as programs that provide mentoring for low-income children, support for at-risk high school students transitioning to college, and literacy instruction for adults without a high school diploma.
- Funding for afterschool programs and Boys & Girls Clubs would be reduced by half ($2.5 million). These programs provide safe havens for children across Connecticut.

- An additional $6 million (10 percent) would be cut from a wide variety of programs, including those that seek to reduce in-school arrests, provide bilingual education and mental health services, encourage healthy lunches for students, and support high-poverty school districts (e.g., the Commissioner's Network and Priority School Districts).
- Net decline in programs designed to increase school integration. $2 million in Sheff settlement funds (18 percent of the program's total) was transferred to the Open Choice program. However, this increase in funding for Open Choice was offset by additional cuts in Open Choice resulting in a net decline in funding for programs designed to promote integration of about $2 million (5 percent).
- A decline in funding for technical and agricultural high schools. Technical High Schools would be cut by about $5.6 million (3.4 percent), although part of these cuts would be due transferring some duties to the central office. Agricultural vocational schools would be cut by about $1 million (10 percent).

The Governor's proposal would also consolidate many line items, increasing discretion for SDE and local districts to reallocate funds. For example, it creates a "Student Support Services" account that combines funding for Family Resource Centers, neighborhood youth centers, school-based early intervention and daycare programs, and afterschool programs into a single line item that would be distributed based on competitive bids. It also cuts total funding for these programs by 50 percent. These dramatic cuts and the combination of multiple programs into one line item essentially forces a problematic choice between important investments in birth-to-five funding versus essential wrap around services for older children.

In addition to the changes above, there were two important changes in education funding outside of appropriations: changes to the ECS formula and the relaxing of the Minimum Budget Requirement. The Governor's proposal reduces the per-student ECS foundation funding for students without disabilities from $11,525 to $8,990, transferring the $2,535 difference into the new Special Education account. In contrast, the Governor's proposal increases per-student charter school funding from $11,000 to $11,500. Additionally, the Governor's proposal changes the ECS formula to use HUSKY A instead of Free and Reduced Price Lunch (FRPL) eligibility to measure need students. It also reduces the weight for need students from 0.3 to 0.2, effectively providing less money per student on the grounds that there are more children enrolled in HUSKY A than in the FRPL program. This change raises three concerns:

- HUSKY A is an imperfect measure of poverty because enrollment in the program is influenced by local health care providers' efforts to enroll children into the program. Because some towns are better at reaching out to low-income families about health insurance than others, a town's HUSKY A enrollment may not reflect the total number of residents in need. In contrast, Census data used to measure school poverty for the purposes of allocating federal funds for districts in Connecticut under Title I is based on survey and census data that specifically asks about poverty and seeks to obtain a representative sample. According to American Community Survey data from 2011 to 2015, among children in Connecticut below 200 percent of the Federal Poverty Level, 76 percent receive public health insurance, 19 percent receive only private health insurance, and 5 percent of children have no health insurance. Therefore, 24 percent of children in poverty would not be counted by using HUSKY A enrollment as a proxy for poverty.

- Because the ECS formula adjusts for need students but the special education formula does not, the $447.5 million transferred from ECS to the Special Education account means that there would be 22 percent less equalization grant money allocated based on economic need.
- Although the average statewide additional weight for need is about the same whether the state uses FRPL or HUSKY A to measure need students—on average, towns get 11.4 percent additional funds using FRPL compared to 10.6 percent using HUSKY A —the amount that some towns receive changes dramatically. Many wealthy and middle-income towns would experience additional weighting while many low-income towns would see their weighting reduced.

A Connecticut law known as the Minimum Budget Requirement currently mandates that towns spend no less on education than they did the previous year, with some exceptions.[12] The Governor's proposal would exempt all but the thirty lowest-performing districts from the Minimum Budget Requirement beginning in FY 2019 and allow towns whose ECS grants would decrease in FY 2018 to decrease their education budgets by the same amount. The relaxing of the Minimum Budget Requirement for towns that receive a reduced ECS grant adds flexibility for towns but also raises a possibility of notable education funding cuts in middle-income and wealthy towns. Given the importance of adequate school funding for a quality education for all students, we are concerned that these changes might lead to lower levels of funding and lower levels of quality for children in the middle-income and wealthy school districts in the state.

Higher Education

The Governor's proposal would cut higher education spending by $41.6 million (6.89 percent) from FY 2017 to FY 2018. This would be driven primarily by a cut of $22.6 million (6.8 percent) to the state's community college and state university system, as well as a cut of $16.5 million (7.2 percent) to the University of Connecticut. The proposal would also cut $2.2 million (6 percent) from the Governor's Scholarship, which provides state aid to low-income students attending college.[j] This cut to the Governor's Scholarship program could mean that 400 fewer high-achieving low-income students would be able to afford public university in Connecticut next year.[13]

Health and Human Services

Health

Connecticut's HUSKY Program (Medicaid and the Children's Health Insurance Program) provides health insurance for about 300,000 children and over 150,000 low-income parents and pregnant women.[k] Until 2015, entire families - children and their parents or relative caregivers – were eligible in households with income under 201 percent of the federal poverty level (FPL), or $40,750 annually for a family of three.[l] Research has demonstrated that when whole families are insured, children are more likely to maintain insurance coverage and access to health care, while children in low-income families are three times more likely to be uninsured if their parents are uninsured.[m]

As a way to reduce state spending, beginning in FY 2016 the Governor and the General Assembly cut eligibility for parents and relative caregivers to 155 percent FPL ($31,248 for a family of three). Of those parents affected by the

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[12] C.G.S. Sec. 10-262j specifies that if their enrollment decreases, districts may reduce their education budgets up to a maximum of 3 percent, depending on the share of students in the district that qualify for Free or Reduced Price Lunch. Alliance districts may not reduce their education budgets. The top ten percent highest-performing districts are exempt from the Minimum Budget Requirement.

[13] The Roberta B. Willis Scholarship Program (formerly known as the Governor's Scholarship) offers annual scholarships of $4,550 to $5,250 for full-time enrollment. $2,200,000 cut / ($5,250 grant per student) = 419 fewer grants awarded next year.

2015 eligibility reduction, 42 percent or almost 8,000 were no longer covered by HUSKY or a health plan offered by Access Health CT (the state's health insurance exchange), and are likely to have gone without health insurance coverage.[n]

Significantly, the Governor's proposed budget for FY 2018 and FY 2019 would further reduce income eligibility for parents of children on HUSKY A from 155 percent FPL to 138 percent FPL ($27,821 for a family of three), affecting approximately 9,500 low-income parents.[o]

The budget projects state savings from the HUSKY parent eligibility cut of $500,000 in FY 2018 and $11.3 million in FY 2019.[14] When federal Medicaid matching funds are added, the loss in funding is $1 million and $22.6 million, respectively, for each of the next two fiscal years. The Governor's budget would maintain eligibility for pregnant women at 263 percent FPL.[p] The current income level for children on Medicaid would be maintained at 201 percent FPL as required by federal law until 2019.[15]

It should be noted that reductions in health services funded by Medicaid means a cut in state dollars and a sizeable loss of federal revenue. Currently, the state receives approximately 60 cents on the dollar for expenditures in the entire HUSKY program, which includes services and supports for individuals with disabilities and seniors (HUSKY C), low-income adults (HUSKY D), as well as children and families in HUSKY A and HUSKY B. All together HUSKY provides essential health care for over 750,000 individuals from cradle to grave. HUSKY members reside in every town and city in the state.

Reductions to other health programs that primarily serve children, families and young adults include:

- The Young Adult Services program would be reduced by 5 percent or $4 million in FY 2018 and by an additional $2 million in FY 2019. Provided by the Department of Mental Health and Addiction Services (DMHAS) to young adults between the ages of 18 and 25 who age out of the care of the Department of Children and Families, the program provides a variety of supports including mental health treatment and housing in order to help these young adults make a successful transition to adulthood.[q]
- School Based Health Centers (SBHCs) would be reduced by 10 percent or $1.13 million. According to the Connecticut Association of School Based Health Centers, since 2015 the Centers have been subjected to cuts totaling $2.5 million, resulting in the closure of centers and cutbacks in services.[r] SBHCs provide primary care, including mental health (41 percent of all visits) and oral health services to tens of thousands of school-age children and it is likely that additional reductions will lead to fewer children receiving early intervention and cost-effective services. Although some services are reimbursed by HUSKY or private insurance, there are a multitude of barriers that prevent the Centers from receiving third-party reimbursement, including high deductibles under private plans, non-coverage for prevention and care coordination, and denial of mental health visits.[s]
- Grants for mental health, substance abuse services, and employment services would be reduced by $9.3 million. The grants – provided by DMHAS – help offset costs of local programs to serve uninsured and

[14] There is far less savings in the first year of the biennium budget due to "Transitional Medical Assistance." Transitional Medical Assistance enables working families to remain eligible for an additional year of Medicaid coverage when their income goes over the Medicaid income limit for family coverage. 42 U.S.C. §1396r-6(a)(1), (b)(1). These families remain eligible for TMA when state law reduces the Medicaid eligibility limit, which would otherwise cause the family to lose eligibility. See Rabin v. Wilson-Coker, 362 F.3d 190 (2nd Cir., 2004).

[15] Id. Also, the Affordable Care Act requires states to keep their child income eligibility level for Medicaid in place until 2019 as a condition for receiving federal funding. P.L. 111-148, as amended.

under-insured individuals, many of whom live with serious and persistent mental illness.[t]

- Teen pregnancy prevention programs would be consolidated with a variety of other programs into the Human Services Infrastructure Account and that account would be cut by 20 percent.[u] The Department of Social Services contracts with a variety of local and regional social and health services programs to provide pregnancy prevention education and services to children and youth.[v] The teen pregnancy prevention programs' estimated funding for FY 17 is $1.5 million. Under the Governor's budget proposal the Department would have discretion to determine to what extent the teen pregnancy programs are cut or eliminated.

The state could be faced with difficulty maintaining health coverage and access to medical, dental, and behavioral health services for children and families if the federal government undoes much of the Affordable Care Act, including withdrawing subsidies for families to purchase coverage through Access Health CT, and also reduced federal funding for Medicaid and the Children's Health Insurance Program. Not only do such changes put at risk the health coverage gains for children and families,[w] but they are likely to negatively impact the bottom lines of hospitals and a multitude of health providers, including those serving individuals suffering from the ravages of opioid addiction.

Child Welfare and Juvenile Justice

The Governor's proposed budget includes a $16.9 million increase (2.1 percent) from what was appropriated for FY 2017 to the state's Department of Children and Families (DCF). This increase in funding is a drastic departure from the budgets proposed for other agencies serving children, but not all services provided by DCF would be protected by this budget increase. Although many line items would see stable funding and even additional funding, there would be important cuts to line items that serve juvenile justice-involved youth, which threaten two major juvenile justice initiatives: efforts to divert youth from the juvenile justice system by providing early therapeutic interventions and efforts to close the Connecticut Juvenile Training School and relocate youth incarcerated there to more therapeutic facilities by July 2018.

The overall increase in proposed funding is driven by the Governor's initiative to exit federal court monitoring of DCF mandated by the Juan F. consent decree.[16] This consent decree called for a large number of reforms to the child welfare system to better protect abused and neglected children.[x] It mandated that the state must provide the funding and other resources necessary to achieve the goals laid out within the consent decree exit plan.

In September of 2016, the defendants and plaintiffs negotiated a revised exit plan[y] in an attempt to exit federal oversight sooner. This revised plan required DCF to maintain compliance with 10 outcome measures (rather than 22). Furthermore, the exit plan set minimum funding for DCF at $794.8 million (the amount approved by the legislature for FY 2017) until the state fully exited federal oversight. The legislature overwhelmingly voted down the revised exit plan,[z] in part because protecting DCF's budget from cuts would result in deeper cuts to other human services agencies.[aa]

Despite the rejection of the revised exit plan, the Governor's proposed budget for DCF would reflect steady, and even increased, funding for many of the line items associated with child welfare services and certain behavioral health services. Because the legislature already rejected the Juan F. exit plan that called for similar budget increases, it is likely that the legislature will also reject this budget and propose their own budget cuts to DCF.

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[16] The Governor's Proposed Budget recommended providing DCF with $14,463,978 in Juan F. Compliance funding. See: Page B-83.

Significant changes in the Governor's proposed budget from FY 17 to FY 19 include:

- Increasing funding for child abuse and neglect intervention by $4.4 million (47.6 percent).
- Decreasing residential board and care for children funding by $5.7 million (5.5 percent) while increasing foster board and care for children funding by $10.5 million (8.2 percent). This shift reflects the continuation of an ideological shift in DCF toward serving children in family settings whenever possible.[bb]
- Increasing funding for supportive housing services by $1.6 million (8.8 percent). These services help provide families with housing assistance and intensive case management services so that children can stay with their parents.
- Decreasing the individualized family supports flexible funding stream used to provide services based on individual family need (such as respite care and family preservation services) by $3.1 million (32.4 percent). This large decrease reflects that DCF spent far fewer of these funds in 2016 than what was budgeted in 2017, so the Governor's budget for 2018 reduces this line item accordingly.[17]
- Increasing funding for the Community Kidcare system that provides in-home and community behavioral health services to children and families by $3.1 million (8.3 percent).

While some of the aforementioned DCF services are also available to juvenile justice-involved youth, several programs and services specifically for these youth would be cut. This raises concerns about Connecticut's ability to increase diversion from the juvenile justice system and to close CJTS as planned. Within DCF, staffing specifically for juvenile justice-involved youth was cut by $314,359 in response to decreased caseloads. While decreased caseloads are a good sign indicating fewer justice-involved youth – and tight economic times for our state do indeed necessitate that services be right-sized – dollars saved on "deep end" youth should not be removed entirely but rather spent more wisely on less-involved kids through diversionary programs to keep them from developing greater, more expensive needs. Unfortunately, programs aiming to do this would face cuts under this budget proposal; the Judicial Department's Juvenile Alternative Incarceration programs, which provide a broad range of services for juvenile justice-involved youth in their communities, would be cut by $5.1 million (19.8 percent), Youth Offender Services for 16 and 17 year olds would be cut by $2.9 million (21.5 percent), and Youth Services Prevention grants for nonprofits and towns to create programming for at-risk youth would be cut by $479,000 (15 percent).

It is especially important to protect and improve upon services for juvenile justice-involved youth in preparation for the closure of CJTS; as DCF's closure plan indicates, removing youth from this large facility necessitates a wide range of community-based services and supports.[cc] This is exemplified by the $1.9 million (18.1 percent) increase in the Worker's Compensation Claims budget; this increase stems from the rise in claims coming from CJTS employees using restraints on the youth, indicating that the needs of these youth will be great upon the facility's closure.[dd] The proposed $453,113 (3.7 percent) cut to DCF's Juvenile Justice Outreach Services instead diminish these vital services. It is crucial that our state continue to make wise investments in the most vulnerable youth as early as possible to help prevent crisis situations for these youth later on.

Citations

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[j] Roberta B. Willis Scholarship Program: https://www.ctohe.org/rwsp/
[k] Medicaid Overview, Connecticut General Assembly Office of Legislative Research and Office of Fiscal Analysis, February 6, 2017. Available at: https://www.cga.ct.gov/med/council/2017/0206/20170206ATTACH_OLR%20and%20OFA%20-%20Medicaid%20Presentation.pdf
[l] Public Act 15-5, Section 370, June Sp. Sess. 2015.
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[o] http://www.ct.gov/opm/lib/opm/budget/2018_2019_biennial_budget/budgetdocs/021.sec.b.pdf
[p] http://www.ct.gov/opm/lib/opm/budget/2018_2019_biennial_budget/budgetdocs/021.sec.b.pdf
[q] Young Adult Services Division within DMHAS: http://ct.gov/dmhas/cwp/view.asp?a=2900&q=334784
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[v] Teen Pregnancy Prevention contracts. Available at: http://www.ct.gov/dss/cwp/view.asp?a=2345&q=539096
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