



**Testimony Regarding:
Proposed H.B. No. 7314, An Act Concerning a Tax on Certain Sweetened Beverages**

Nicole Updegrove and Daniel Long, Ph.D.
Finance, Revenue, and Bonding Committee
April 10, 2017

Good afternoon Senator Fonfara, Senator Frantz, Representative Rojas, Representative Davis, and distinguished members of the Finance, Revenue, and Bonding Committee,

We represent Connecticut Voices for Children, a research-based child advocacy organization working to ensure that all Connecticut children have an equitable opportunity to achieve their full potential. **Thank you for the opportunity to testify in support of House Bill 7314, An Act Concerning a Tax on Certain Sweetened Beverages.**

- H.B. 7314 represents a move toward a more balanced approach to the budget by generating revenue to support public health and child care for low-income families.
- To maximize public health benefits, the bill should be amended to levy an *excise* tax rather than a sales tax.
- Revenue from H.B. 7314 must be used to *expand* funding for obesity prevention and child care subsidies because current funding is inadequate.

Connecticut children cannot afford another austerity budget. House Bill 7314 is part of a more balanced approach to budgeting.

Last year, without levying any new revenue, Connecticut cut nearly a billion dollars of programs and services, including many essential programs for children and families. This year, we need a balanced approach of both increased revenue and strategic spending cuts.

House Bill 7314 is estimated to generate between \$85¹ and \$141 million² for the state, which would be used to fund the Care 4 Kids child care subsidy and obesity prevention programs. H.B. 7314 represents one step toward a more balanced approach, with additional statewide benefits for public health and child care. We need to also consider modernizing the sales tax, strengthening the corporate income tax, and reforming wealth and income taxes as options toward a balanced approach *and* to ensure future adequacy in our revenue systems, such as those in the menu below:

A Menu of Revenue Options for a Balanced Approach³

Modernize Outdated Sales Tax	Apply sales tax to services*	\$730 million to \$1.5 billion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 personal income tax by a half a 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
Strengthen	Improve enforcement of existing tax laws	\$40 million
	Adopt throwback rule to eliminate “nowhere income”**	\$12 to \$25 million

Corporate Income Tax	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

*Asterisk denotes policies discussed and/or recommended by State Tax Panel. Amounts are annual.

House Bill 7314 will raise critical revenue that could re-open Care 4 Kids.

Funds generated through this bill would provide an essential work support for working parents and access to quality child care through Care 4 Kids. Even in difficult fiscal times, our state must protect the most vulnerable from harm. The Care 4 Kids subsidy helps children access quality child care and education and enables low-income parents to work. **Under the Governor’s proposed budget, the program would remain closed to new applications until 2019, with devastating impacts on children, parents, and the child care system as a whole.**

Connecticut families have a deep need for Care 4 Kids child care subsidies. Child care is both essential and unaffordable to low-income families in Connecticut without the Care 4 Kids subsidy or other supports – and in 49% of towns, Care 4 Kids is the only form of states subsidy for child care.⁴ Thirty percent of working parents with children under age five live in low-income households that would qualify for Care 4 Kids (based on income level), if the program were open.⁵

As of mid-March, over 3,300 Connecticut families were waiting for affordable child care.⁶ The waitlist is projected to increase to about 5,000 families by July 2017.⁷ Many of those parents may have to reduce their work hours or leave their jobs altogether in order to care for their children. These parents and their children cannot afford for Care 4 Kids to remain closed. This bill would supply more than enough revenue⁸ to re-open the program to new applicants.

H.B. 7314 represents a critical step to reducing diabetes and obesity – particularly for young children. However, the bill language should be amended to strengthen its health benefits.

The American Heart Association recommends that children consume no more than eight ounces of sugar-sweetened beverages – less than a single standard can of soda – per week.⁹ And yet, a recent study by the Center for Disease Control found that almost two-thirds of children consume at least one sugary drink per day; 30% consume at least two per day.¹⁰ Given the strong links between sugary drink consumption and diabetes, obesity, and tooth decay, decreasing the consumption of these beverages is an important public health target.

As written, H.B. 7314 is a sales tax. Research shows that excise taxes on products – which result in higher prices on the shelf – have a greater impact on consumer choices than equivalent sales taxes,¹¹ wherein consumers see the higher costs only at the cash register. While a sales tax may have greater revenue-generating power for the state, in order to most effectively combat the adverse health effects of sugary drinks, HB 7314 should be amended to clearly state that this tax would be an excise tax rather than a sales tax.

House Bill 7314 levies a regressive tax. Connecticut needs to levy revenue through a combination of progressive and regressive taxes, and the revenues generated by regressive taxes should be designated to benefit the most vulnerable.

In general, low-income people drink the most sugar-sweetened beverages.¹² These drinks are readily available at many venues, come in large quantities at low prices, and their advertisers often target communities of color,¹³ which are disproportionately low-income. Increased taxes on sugar-sweetened beverages, then, will come primarily from residents who can least afford it.

However, **low-income communities can also ill afford the long-term health costs of excessive sweetened beverages: tooth decay, diabetes, and obesity¹⁴, often beginning at a young age. As written, this bill will help to mitigate these costs** by funding obesity prevention efforts, funding the child care that enables low-income parents to work, and by dis-incentivizing the purchase of these drinks.

Addressing a budget crisis of this magnitude requires new revenue from Connecticut residents of all income levels. However, given that low-income residents are already taxed at a higher effective rate than higher-income residents, the revenue generated from regressive taxes must be designated to benefit low-income communities. **Revenue from this bill must be closely monitored to ensure that it *expands* funding for obesity prevention and Care 4 Kids, rather than maintaining current, inadequate levels of funding.**

In summary:

- H.B. 7314 represents a more balanced approach to the budget, generating revenue to support public health and child care for low-income families.
- To maximize the bill’s health benefits, it should be amended to levy an excise tax rather than a sales tax.
- Revenue from H.B. 7314 must expand funding for obesity prevention and child care subsidies, rather than maintaining current, inadequate funding.

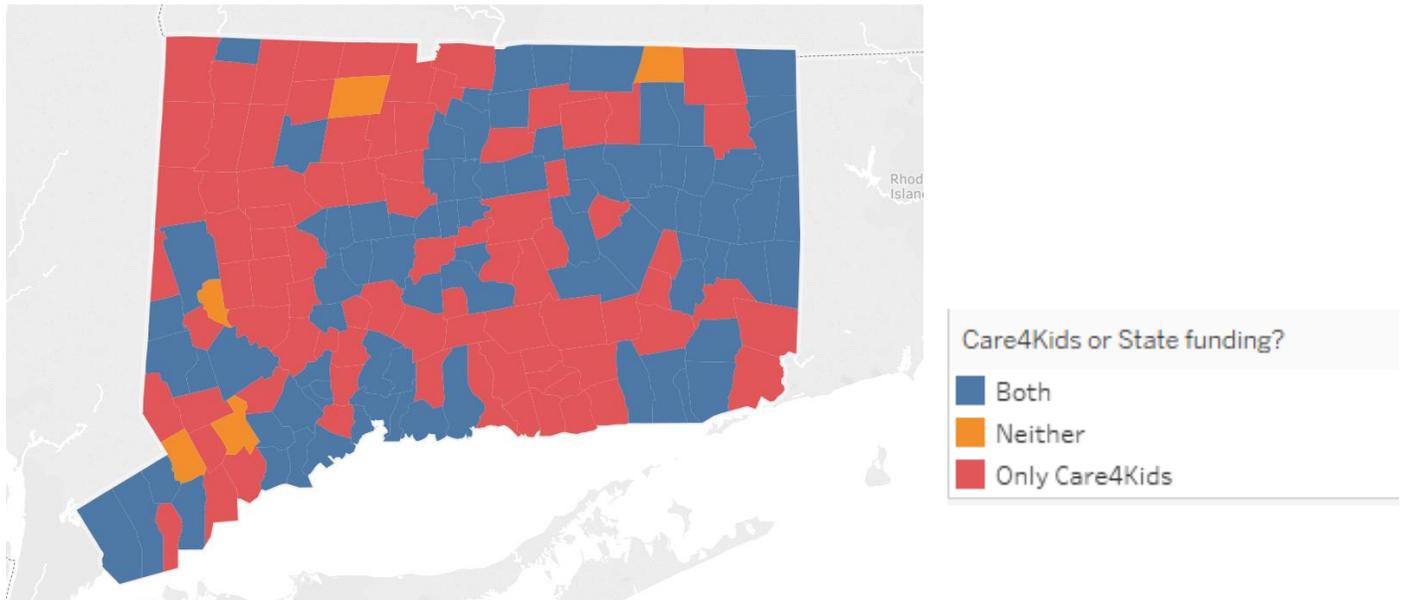
Thank you for the opportunity to testify in support of HB7314. If you have any additional questions, you can reach us at dlong@ctvoices.org or (203) 498-4240.

Table 1: Care 4 Kids Enrollment Compared to Number of Children in Low-Income Families

Age Group	Children enrolled in Care 4 Kids (Feb. 2017) ¹⁵	Children in working low-income families in Connecticut	Children in low-income families with single working parents or two parent families with both parents working
Infants and Toddlers (ages 0 to 2)	6,159	29,319	20,137
Preschoolers (most ages 3 and 4)	6,162	19,707	15,916
School Age Children (ages 5 to 12)	5,039	90,059	70,128

Source: Data from the Office of Early Childhood and Connecticut Voices analysis of the 2015 American Community Survey. Note: “low-income” refers to families earning less than 50% of Connecticut’s state median income.

Figure 1: Care 4 Kids Addresses Regional Gaps in Child Care Support in Connecticut



Source: CT Voices analysis of data from the Office of Early Childhood concerning Care 4 Kids enrollments in December 2016 and the average number of spaces in 2016 for state-funded programs such as Child Day Care Centers, School Readiness Programs, Smart Start, most local school district preschools, and State Head Start.

¹ Office of Fiscal Analysis. *HB-5461 - An act imposing a tax on sugary soft drinks*. January Session, 2015. Retrieved from: <https://www.cga.ct.gov/2015/FN/2015HB-05461-R000104-FN.htm>

² UConn Rudd Center for Food Policy and Obesity. Revenue calculator for sugar-sweetened beverage taxes. Retrieved from: <http://www.uconnruddcenter.org/revenue-calculator-for-sugar-sweetened-beverage-taxes/>

³ Thomas, Derek. *Revenue Options are Key to Addressing Budget Shortfalls and Supporting Thriving Communities*. January 2017. Retrieved from: http://www.ctvoices.org/sites/default/files/Revenue%20Options%202017_0.pdf.

⁴ CT Voices analysis of data from the Office of Early Childhood concerning Care 4 Kids enrollments in December 2016 and the average number of spaces in 2016 for state-funded programs such as Child Day Care Centers, School Readiness Programs, Smart Start, most local school district preschools, and State Head Start. Data supplied by Julie Bisi, January 12, 2017.

⁵ CT Voices analysis of Census data, 2015.

⁶ As of March 21st, 2017, 3,378 families were on the waitlist for Care 4 Kids. Figure provided by Harriet Feldlaufer to Connecticut Voices for Children, April 10, 2017.

⁷ Information supplied by Harriet Feldlaufer to Connecticut Voices for Children, April 10, 2017.

⁸ Fully funding Care 4 Kids would require an additional \$42.3 in FY 2018 and \$47.5 million in FY 2019 over designated funding in the governor's budget.

⁹ Miriam B. Vos, Jill L. Kaar, Jean A. Welsh, Linda V. Van Horn, Daniel I. Feig, Cheryl A.M. Anderson, Mahesh J. Patel, Jessica Cruz Munos, Nancy F. Krebs, Stavra A. Xanthakos and Rachel K. Johnson. *Added Sugars and Cardiovascular Disease Risk in Children*. August 2016. Retrieved from: <http://circ.ahajournals.org/content/early/2016/08/22/CIR.0000000000000439>.

¹⁰ Rosinger A., Herrick K., Gahche J., and S. Park. Sugar-sweetened beverage consumption among U.S. youth, 2011–2014. NCHS Data Brief. No 271. Hyattsville, MD: National Center for Health Statistics.

¹¹ Chetty, R., Looney, A., and K. Kroft. *Salience and Taxation: Theory and Evidence*. National Bureau of Economic Research Working Paper 13330. August 2007. Retrieved from: <http://www.nber.org/papers/w13330>.

¹² *QuickStats: Percentage of Total Daily Kilocalories Consumed from Sugar-Sweetened Beverages Among Children and Adults, by Sex and Income Level*. National Health and Nutrition Examination Survey, United States. MMWR Morb Mortal Wkly Rep 2017;66:181. Retrieved from: <http://dx.doi.org/10.15585/mmwr.mm6606a8>.

¹³ Center for Science in the Public Interest. Facts on Sugar Drink Marketing. January 2017. Retrieved from: https://cspinet.org/sites/default/files/attachment/CSPI%202017%20Facts%20on%20Sugar%20Drink%20Marketing_0.pdf.

¹⁴ Hu, Frank B. "Resolved: there is sufficient scientific evidence that decreasing sugar-sweetened beverage consumption will reduce the prevalence of obesity and obesity-related diseases." *Obesity reviews* 14.8 (2013): 606-619. Brownell, Kelly D., et al. "The public health and economic benefits of taxing sugar-sweetened beverages." (2009): 1599-1605.

¹⁵ Data on Care 4 Kids enrollment obtained from <http://www.ctcare4kids.com/care-4-kids-program/reports/>.